

By: _____ .B. No. _____

Substitute the following for .B. No. _____:

By: _____ C.S. .B. No. _____

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the public retirement systems of certain
3 municipalities.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

6 SECTION 1.01. Section 1, Article 6243e.2(1), Revised
7 Statutes, is amended by amending Subdivisions (1-a), (1-b), (3),
8 (13-a), (15-a), (15-b), and (16) and adding Subdivisions (1-c),
9 (1-d), (1-e), (1-f), (1-g), (3-a), (3-b), (3-c), (10-a), (10-b),
10 (11-a), (12-a), (12-b), (12-c), (12-d), (12-e), (12-f), (12-g),
11 (13-b), (13-c), (13-d), (13-e), (15-c), (15-d), (15-e), (15-f),
12 (15-g), (16-a), (16-b), (16-c), (16-d), and (16-e) to read as
13 follows:

14 (1-a) "Actuarial data" includes:

15 (A) the census data, assumption tables,
16 disclosure of methods, and financial information that are routinely
17 used by the fund actuary to prepare an actuarial valuation or an
18 actuarial experience study under Section 13D of this article; and

19 (B) any other data that is reasonably necessary
20 to prepare a risk sharing valuation study under Section 13B or 13C
21 of this article. [~~"Average monthly salary" means one thirty-sixth~~
22 ~~of the member's salary as a firefighter for the member's highest 78~~
23 ~~biweekly pay periods during the member's participation in the fund~~
24 ~~or, if the member has participated in the fund for less than three~~

1 ~~years, the total salary paid to the member for the periods the~~
2 ~~member participated in the fund divided by the number of months the~~
3 ~~member has participated in the fund. If a member is not paid on the~~
4 ~~basis of biweekly pay periods, "average monthly salary" is~~
5 ~~determined on the basis of the number of pay periods under the~~
6 ~~payroll practices of the municipality sponsoring the fund that most~~
7 ~~closely correspond to 78 biweekly pay periods.]~~

8 (1-b) "Actuarial experience study" has the meaning
9 assigned by Section 802.1014, Government Code [~~"Beneficiary adult~~
10 ~~child" means a child of a member by birth or adoption who:~~
11 ~~[(A) is not an eligible child; and~~
12 ~~[(B) is designated a beneficiary of a member's~~
13 ~~DROP account by valid designation under Section 5(j-1)].~~

14 (1-c) "Amortization period" means the time period
15 necessary to fully pay a liability layer.

16 (1-d) "Amortization rate" means the sum of the
17 scheduled amortization payments for a given fiscal year for the
18 current liability layers divided by the projected pensionable
19 payroll for that fiscal year.

20 (1-e) "Assumed rate of return" means the assumed
21 market rate of return on fund assets.

22 (1-f) "Average monthly salary" means, if the member
23 has participated in the fund for:

24 (A) three or more years, the total salary
25 received by a member as a firefighter over the member's last 78
26 biweekly pay periods ending before the earlier of the date:

27 (i) the member terminates employment with

1 the fire department, divided by 36; or

2 (ii) the member began participation in the
3 DROP, divided by 36; or

4 (B) fewer than three years, the total salary paid
5 to the member for the periods the member participated in the fund
6 divided by the number of months the member has participated in the
7 fund.

8 If a member is not paid on the basis of biweekly pay periods,
9 "average monthly salary" is determined on the basis of the number of
10 pay periods under the payroll practices of the municipality
11 sponsoring the fund that most closely correspond to 78 biweekly pay
12 periods.

13 (1-g) "Beneficiary adult child" means a child of a
14 member by birth or adoption who:

15 (A) is not an eligible child; and

16 (B) is designated a beneficiary of a member's
17 DROP account by valid designation under Section 5(j-1).

18 (3) "Code" means the federal Internal Revenue Code of
19 1986, as amended.

20 (3-a) "Corridor" means the range of municipal
21 contribution rates that are:

22 (A) equal to or greater than the minimum
23 contribution rate; and

24 (B) equal to or less than the maximum
25 contribution rate.

26 (3-b) "Corridor margin" means five percentage points.

27 (3-c) "Corridor midpoint" means the projected

1 municipal contribution rate specified in the initial risk sharing
2 valuation study under Section 13C of this article, and as may be
3 adjusted under Section 13E or 13F of this article, and in each case
4 rounded to the nearest hundredths decimal place.

5 (10-a) "Employer normal cost rate" means the normal
6 cost rate minus the member contribution rate.

7 (10-b) "Estimated municipal contribution rate" means
8 the municipal contribution rate determined in a risk sharing
9 valuation study under Section 13B or 13C of this article in
10 accordance with Section 13B(a)(3) of this article.

11 (11-a) "Fiscal year," except as provided by Section 1B
12 of this article, means a fiscal year beginning on July 1 and ending
13 on June 30.

14 (12-a) "Funded ratio" means the ratio of the fund's
15 actuarial value of assets divided by the fund's actuarial accrued
16 liability.

17 (12-b) "Legacy liability" means the unfunded
18 actuarial accrued liability:

19 (A) for the fiscal year ending June 30, 2016,
20 reduced to reflect:

21 (i) changes to benefits or contributions
22 under this article; and

23 (ii) payments by the municipality and
24 earnings at the assumed rate of return allocated to the legacy
25 liability for the period between July 1, 2016, and June 30, 2017;
26 and

27 (B) for each subsequent fiscal year:

1 (i) reduced by the contributions for that
2 year allocated to the amortization of the legacy liability; and
3 (ii) adjusted by the assumed rate of
4 return.

5 (12-c) "Level percent of payroll method" means the
6 amortization method that defines the amount of the liability layer
7 recognized each fiscal year as a level percent of pensionable
8 payroll until the amount of the liability layer remaining is
9 reduced to zero.

10 (12-d) "Liability gain layer" means a liability layer
11 that decreases the unfunded actuarial accrued liability.

12 (12-e) "Liability layer" means the unanticipated
13 change as established in each risk sharing valuation study prepared
14 under Section 13B or 13C of this article, as applicable.

15 (12-f) "Liability loss layer" means a liability layer
16 that increases the unfunded actuarial accrued liability. For
17 purposes of this article, the legacy liability is a liability loss
18 layer.

19 (12-g) "Maximum contribution rate" means the rate
20 equal to the corridor midpoint plus the corridor margin.

21 (13-a) "Minimum contribution rate" means the rate
22 equal to the corridor midpoint minus the corridor margin [~~"Normal~~
23 ~~retirement age" means the earlier of:~~

24 ~~[(A) the age at which the member attains 20 years~~
25 ~~of service; or~~

26 ~~[(B) the age at which the member first attains~~
27 ~~the age of at least 50 years and at least 10 years of service].~~

1 (13-b) "Municipality" means a municipality in this
2 state having a population of more than 2 million.

3 (13-c) "Municipal contribution rate" means, for a
4 fiscal year, the rate at which a municipality makes contributions
5 to the fund under Section 13A(a) of this article.

6 (13-d) "Normal cost rate" means the salary weighted
7 average of the individual normal cost rates determined for the
8 current active population plus an allowance for projected
9 administrative expenses. The allowance for projected
10 administrative expenses equals the administrative expenses divided
11 by the pensionable payroll for the previous fiscal year, provided
12 the administrative allowance may not exceed 1.25 percent of the
13 pensionable payroll for the current fiscal year unless agreed to by
14 the municipality.

15 (13-e) "Normal retirement age" means:

16 (A) for a member, including a member who was
17 hired before the year 2017 effective date and who involuntarily
18 separated from service but has been retroactively reinstated in
19 accordance with an arbitration, civil service, or court ruling,
20 hired before the year 2017 effective date, the earlier of:

21 (i) the age at which the member attains 20
22 years of service; or

23 (ii) the age at which the member first
24 attains the age of at least 50 years and at least 10 years of
25 service; or

26 (B) except as provided by Paragraph (A) of this
27 subdivision, for a member hired or rehired on or after the year 2017

1 effective date, the age at which the sum of the member's age, in
2 years, and the member's years of participation in the fund equals at
3 least 70.

4 (15-a) "Payoff year" means the year a liability layer
5 is fully amortized under the amortization period. A payoff year may
6 not be extended or accelerated for a period that is less than one
7 month. [~~"PROP" means the post-retirement option plan under Section~~
8 5A of this article.]

9 (15-b) "Pension obligation bond" means a bond issued
10 in accordance with Chapter 107, Local Government Code [~~"PROP~~
11 account" means the notional account established to reflect the
12 credits and contributions of a member or surviving spouse who has
13 made a PROP election in accordance with Section 5A of this article].

14 (15-c) "Pensionable payroll" means the aggregate
15 salary of all the firefighters on active service in an applicable
16 fiscal year.

17 (15-d) "Price inflation assumption" means:

18 (A) the most recent headline consumer price index
19 10-year forecast published in the Federal Reserve Bank of
20 Philadelphia Survey of Professional Forecasters; or

21 (B) if the forecast described by Paragraph (A) of
22 this subdivision is not available, another standard as determined
23 by mutual agreement between the municipality and the board.

24 (15-e) "Projected pensionable payroll" means the
25 estimated pensionable payroll for the fiscal year beginning 12
26 months after the date of the risk sharing valuation study prepared
27 under Section 13B or 13C of this article, as applicable, at the time

1 of calculation by:

2 (A) projecting the prior fiscal year's
3 pensionable payroll forward two years using the current payroll
4 growth rate assumptions; and

5 (B) adjusting, if necessary, for changes in
6 population or other known factors, provided those factors would
7 have a material impact on the calculation, as determined by the
8 board.

9 (15-f) "PROP" means the post-retirement option plan
10 under Section 5A of this article.

11 (15-g) "PROP account" means the notional account
12 established to reflect the credits and contributions of a member or
13 surviving spouse who made a PROP election in accordance with
14 Section 5A of this article before the year 2017 effective date.

15 (16) "Salary" means wages as defined by Section
16 3401(a) of the code, [~~the amounts includable in gross income of a~~
17 ~~member~~] plus any amount not includable in gross income under
18 Section 104(a)(1), Section 132(f) [~~125~~], Section 402(g)(2)
19 [~~402(e)(3) or (h)~~], Section 457 [~~403(b)~~], or Section 414(h)(2)
20 [~~414(h)~~] of the code, except that with respect to salary earned on
21 or after the year 2017 effective date, gross income excludes
22 overtime pay received by a member or the amount by which the salary
23 earned by a member on the basis of the member's appointed position
24 exceeds the salary of the member's highest tested rank.

25 (16-a) "Third quarter line rate" means the corridor
26 midpoint plus 2.5 percentage points.

27 (16-b) "Ultimate entry age normal" means an actuarial

1 cost method under which a calculation is made to determine the
2 average uniform and constant percentage rate of contributions that,
3 if applied to the compensation of each member during the entire
4 period of the member's anticipated covered service, would be
5 required to meet the cost of all benefits payable on the member's
6 behalf based on the benefits provisions for newly hired employees.
7 For purposes of this definition, the actuarial accrued liability
8 for each member is the difference between the member's present
9 value of future benefits based on the tier of benefits that apply to
10 the member and the member's present value of future normal costs
11 determined using the normal cost rate.

12 (16-c) "Unfunded actuarial accrued liability" means
13 the difference between the actuarial accrued liability and the
14 actuarial value of assets. For purposes of this definition:

15 (A) "actuarial accrued liability" means the
16 portion of the actuarial present value of projected benefits
17 attributed to past periods of member service based on the cost
18 method used in the risk sharing valuation study prepared under
19 Section 13B or 13C of this article, as applicable; and

20 (B) "actuarial value of assets" means the value
21 of fund investments as calculated using the asset smoothing method
22 used in the risk sharing valuation study prepared under Section 13B
23 or 13C of this article, as applicable.

24 (16-d) "Unanticipated change" means, with respect to
25 the unfunded actuarial accrued liability in each risk sharing
26 valuation study prepared under Section 13B or 13C of this article,
27 as applicable, the difference between:

1 (A) the remaining balance of all then-existing
2 liability layers as of the date of the risk sharing valuation study;
3 and

4 (B) the actual unfunded actuarial accrued
5 liability as of the date of the risk sharing valuation study.

6 (16-e) "Year 2017 effective date" means the date on
7 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
8 2017, took effect.

9 SECTION 1.02. Article 6243e.2(1), Revised Statutes, is
10 amended by adding Sections 1A and 1B to read as follows:

11 Sec. 1A. INTERPRETATION OF ARTICLE. This article,
12 including Sections 2(p) and (p-1) of this article, does not and may
13 not be interpreted to:

14 (1) relieve the municipality, the board, or the fund
15 of their respective obligations under Sections 13A through 13F of
16 this article or under any agreement between the municipality and
17 the board under this article;

18 (2) reduce or modify the rights of the municipality,
19 the board, or the fund, including any officer or employee of the
20 municipality, board, or fund, to enforce obligations described by
21 Subdivision (1) of this section;

22 (3) relieve the municipality, including any official
23 or employee of the municipality, from:

24 (A) paying or directing to pay required
25 contributions to the fund under Section 13 or 13A of this article or
26 taking other steps required under Section 13E or 13F of this article
27 or under any agreement between the municipality and the board; or

1 (B) reducing or modifying the rights of the board
2 and any officer or employee of the board or fund to enforce
3 obligations described by Subdivision (1) of this section;

4 (4) relieve the board or fund, including any officer
5 or employee of the board or fund, from any obligation to implement a
6 benefit change or take other steps required by Section 13E or 13F of
7 this article or under any agreement between the municipality and
8 the board under this article; or

9 (5) reduce or modify the rights of the municipality
10 and any officer or employee of the municipality to enforce an
11 obligation described by Subdivision (4) of this section.

12 Sec. 1B. FISCAL YEAR. The fund or the municipality or both
13 may only change their respective fiscal years by entering into a
14 written agreement. If the fund and municipality enter into an
15 agreement described by this section, the parties shall, in the
16 agreement, adjust the provisions of Sections 13A through 13F of
17 this article to reflect that change.

18 SECTION 1.03. Section 2, Article 6243e.2(1), Revised
19 Statutes, is amended by amending Subsection (b) and adding
20 Subsection (t) to read as follows:

21 (b) The board of trustees of the fund shall be known as the
22 "(name of municipality) Firefighters' Relief and Retirement Fund
23 Board of Trustees" and the fund shall be known as the "(name of
24 municipality) Firefighters' Relief and Retirement Fund." The board
25 consists of 10 trustees, including:

26 (1) the mayor or an appointed representative of the
27 mayor;

1 (2) the director of finance or the director of
2 finance's designee [~~treasurer~~] of the municipality or, if there is
3 not a director of finance [~~treasurer~~], the highest ranking employee
4 of the municipality, excluding elected officials, with
5 predominately financial responsibilities, as determined by the
6 mayor, or that employee's designee [~~secretary, clerk, or other~~
7 person who by law, charter provision, or ordinance performs the
8 duty of treasurer of the municipality];

9 (3) five firefighters who are members of the fund;

10 (4) one person who is a retired firefighter and a
11 member of the fund with at least 20 years of participation; and

12 (5) two persons, each of whom is a registered voter of
13 the municipality, has been a resident of the municipality for at
14 least one year preceding the date of initial appointment, and is not
15 a municipal officer or employee.

16 (t) The officers and employees of the municipality are fully
17 protected and free of liability for any action taken or omission
18 made or any action or omission suffered by them in good faith,
19 objectively determined, in the performance of their duties related
20 to the fund. The protection from liability provided by this
21 subsection is cumulative of and in addition to any other
22 constitutional, statutory, or common law official or governmental
23 immunity, defense, and civil or procedural protection provided to
24 the municipality as a governmental entity and to a municipal
25 official or employee as an official or employee of a governmental
26 entity. Except for a waiver expressly provided by this article,
27 this article does not grant an implied waiver of any immunity.

1 SECTION 1.04. Article 6243e.2(1), Revised Statutes, is
2 amended by adding Sections 2A and 2B to read as follows:

3 Sec. 2A. QUALIFICATIONS OF MUNICIPAL ACTUARY. (a) An
4 actuary hired by the municipality for purposes of this article must
5 be an actuary from a professional service firm who:

6 (1) is not already engaged by the fund or any other
7 pension system authorized under Article 6243g-4, Revised Statutes,
8 or Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular
9 Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), to
10 provide actuarial services to the fund or pension system, as
11 applicable;

12 (2) has a minimum of 10 years of professional
13 actuarial experience; and

14 (3) is a fellow of the Society of Actuaries or a member
15 of the American Academy of Actuaries and who, in carrying out duties
16 for the municipality, has met the applicable requirements to issue
17 statements of actuarial opinion.

18 (b) Notwithstanding Subsection (a) of this section, the
19 municipal actuary does not need to meet any greater qualifications
20 than those required by the board for the fund actuary.

21 Sec. 2B. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
22 CONSULTANT. At least once every three years, the board shall hire
23 an independent investment consultant to conduct a review of fund
24 investments and submit a report to the board and the municipality
25 concerning the review or demonstrate in the fund's annual financial
26 report that the review was conducted. The independent investment
27 consultant shall review and report on at least the following:

1 (1) the fund's compliance with its investment policy
2 statement, ethics policies, including policies concerning the
3 acceptance of gifts, and policies concerning insider trading;

4 (2) the fund's asset allocation, including a review
5 and discussion of the various risks, objectives, and expected
6 future cash flows;

7 (3) the fund's portfolio structure, including the
8 system's need for liquidity, cash income, liquid returns, and
9 inflation protection and the active, passive, or index approaches
10 used for different portions of the portfolio;

11 (4) investment manager or advisor performance reviews
12 and an evaluation of the processes used to select and evaluate
13 managers;

14 (5) benchmarks used for each asset class and
15 individual manager;

16 (6) an evaluation of fees and trading costs;

17 (7) an evaluation of investments in any leverage,
18 foreign exchange, or other hedging transaction; and

19 (8) an evaluation of investment-related disclosures
20 in the fund's annual reports or valuations.

21 SECTION 1.05. Section 3(d), Article 6243e.2(1), Revised
22 Statutes, is amended to read as follows:

23 (d) The board may have an actuarial valuation performed each
24 year, and for determining the municipality's contribution rate as
25 provided by Section 13A [~~13(d)~~] of this article, the board may adopt
26 a new actuarial valuation each year[, ~~except that an actuarial~~
27 ~~valuation that will result in an increased municipal contribution~~

1 ~~rate that is above the statutory minimum may be adopted only once~~
2 ~~every three years, unless the governing body of the municipality~~
3 ~~consents to a more frequent increase].~~

4 SECTION 1.06. Article 6243e.2(1), Revised Statutes, is
5 amended by adding Section 3A to read as follows:

6 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT. (a)

7 Except as provided by Subsection (b) of this section, the board is
8 authorized, on behalf of the members or beneficiaries of the fund,
9 to alter benefit types or amounts, the means of determining
10 contribution rates, or the contribution rates provided under this
11 article if the alteration is included in a written agreement
12 between the board and the municipality. An agreement entered into
13 under this section:

14 (1) must:

15 (A) if the agreement concerns benefit increases,
16 other than benefit increases that are the result of Section 13E of
17 this article, adhere to the processes and standards set forth in
18 Section 10 of this article; and

19 (B) operate prospectively only; and

20 (2) may not, except as provided by Sections 13A
21 through 13F of this article, have the effect or result of increasing
22 the unfunded liability of the fund.

23 (b) In a written agreement entered into between the
24 municipality and the board under this section, the parties may not:

25 (1) fundamentally alter Sections 13A through 13F of
26 this article;

27 (2) increase the assumed rate of return to more than

1 seven percent per year;

2 (3) extend the amortization period of a liability
3 layer to more than 30 years from the first day of the fiscal year
4 beginning 12 months after the date of the risk sharing valuation
5 study in which the liability layer is first recognized; or

6 (4) allow a municipal contribution rate in any year
7 that is less than or greater than the municipal contribution rate
8 required under Section 13E or 13F of this article, as applicable.

9 (c) If the board is directed or authorized in Sections 13A
10 through 13F of this article to effect an increase or decrease to
11 benefits or contributions, this article delegates the authority to
12 alter provisions concerning benefits and contributions otherwise
13 stated in this article in accordance with the direction or
14 authorization only to the extent the alteration is set forth in an
15 order or other written instrument and is consistent with this
16 section, the code, and other applicable federal law and
17 regulations. The order or other written instrument must be
18 included in each applicable risk sharing valuation study under
19 Section 13B or 13C of this article, as applicable, adopted by the
20 board, and published in a manner that makes the order or other
21 written instrument accessible to the members.

22 SECTION 1.07. Section 4, Article 6243e.2(1), Revised
23 Statutes, is amended by amending Subsections (a) and (b) and adding
24 Subsections (b-1) and (b-2) to read as follows:

25 (a) A member [~~with at least 20 years of participation~~] who
26 terminates active service for any reason other than death is
27 entitled to receive a service pension provided by this section if

1 the member was:

2 (1) hired as a firefighter before the year 2017
3 effective date, including a member who was hired before the year
4 2017 effective date and who involuntarily separated from service
5 but has been retroactively reinstated in accordance with an
6 arbitration, civil service, or court ruling, at the earlier of:

7 (A) the age at which the member attains 20 years
8 of service; or

9 (B) the age at which the member first attains the
10 age of at least 50 years and at least 10 years of service; and

11 (2) except as provided by Subdivision (1) of this
12 subsection, hired or rehired as a firefighter on or after the year
13 2017 effective date, when the sum of the member's age in years and
14 the member's years of participation in the fund equals at least 70.

15 (b) Except as otherwise provided by Subsection (d) of this
16 section, the monthly service pension for a member described by:

17 (1) Subsection (a)(1) of this section is equal to the
18 sum of:

19 (A) the member's accrued monthly service pension
20 based on the member's years of participation before the year 2017
21 effective date, determined under the law in effect on the date
22 immediately preceding the year 2017 effective date;

23 (B) 2.75 percent of the member's average monthly
24 salary multiplied by the member's years of participation on or
25 after the year 2017 effective date, for each year or partial year of
26 participation of the member's first 20 years of participation; and

27 (C) two percent of the member's average monthly

1 salary multiplied by the member's years of participation on or
2 after the year 2017 effective date, for each year or partial year of
3 participation on or after the year 2017 effective date that
4 occurred after the 20 years of participation described by Paragraph
5 (B) of this subdivision; and

6 (2) Subsection (a)(2) of this section is equal to the
7 sum of:

8 (A) 2.25 percent of the member's average monthly
9 salary multiplied by the member's years or partial years of
10 participation for the member's first 20 years of participation; and

11 (B) two percent of the member's average monthly
12 salary multiplied by the member's years or partial years of
13 participation for all years of participation that occurred after
14 the 20 years of participation described by Paragraph (A) of this
15 subdivision.

16 (b-1) For purposes of Subsection (b) of this section,
17 partial years shall be computed to the nearest one-twelfth of a
18 year.

19 (b-2) A member's monthly service pension may not exceed 80
20 percent of the member's average monthly salary [A member who
21 terminates active service on or after November 1, 1997, and who has
22 completed at least 20 years of participation in the fund on the
23 effective date of termination of service is entitled to a monthly
24 service pension, beginning after the effective date of termination
25 of active service, in an amount equal to 50 percent of the member's
26 average monthly salary, plus three percent of the member's average
27 monthly salary for each year of participation in excess of 20 years,

1 ~~but not in excess of 30 years of participation, for a maximum total~~
2 ~~benefit of 80 percent of the member's average monthly salary].~~

3 SECTION 1.08. Section 5, Article 6243e.2(1), Revised
4 Statutes, is amended by amending Subsections (a), (b), (c), (d),
5 and (m) and adding Subsections (a-1), (b-1), (d-1), (d-2), and
6 (e-1) to read as follows:

7 (a) A member who is eligible to receive a service pension
8 under Section 4(a)(1) [4] of this article and who remains in active
9 service may elect to participate in the deferred retirement option
10 plan provided by this section. A member who is eligible to receive
11 a service pension under Section 4(a)(2) of this article may not
12 elect to participate in the deferred retirement option plan
13 provided by this section. On subsequently terminating active
14 service, a member who elected the DROP may apply for a monthly
15 service pension under Section 4 of this article, except that the
16 effective date of the member's election to participate in the DROP
17 will be considered the member's retirement date for determining the
18 amount of the member's monthly service pension. The member may
19 also apply for any DROP benefit provided under this section on
20 terminating active service. An election to participate in the
21 DROP, once approved by the board, is irrevocable.

22 (a-1) The monthly benefit of a [A] DROP participant who has
23 at least 20 years of participation on the year 2017 effective date
24 [participant's monthly benefit at retirement] is increased at
25 retirement by two percent of the amount of the member's original
26 benefit for every full year of participation in the DROP by the
27 member for up to 10 years of participation in the DROP. For a

1 member's final year of participation, but not beyond the member's
2 10th year in the DROP, if a full year of participation is not
3 completed, the member shall receive a prorated increase of 0.166
4 percent of the member's original benefit for each month of
5 participation in that year. An increase provided by this
6 subsection does not apply to benefits payable under Subsection (1)
7 of this section. An increase under this subsection is applied to
8 the member's benefit at retirement and is not added to the member's
9 DROP account. The total increase under this subsection may not
10 exceed 20 percent for 10 years of participation in the DROP by the
11 member.

12 (b) A member may elect to participate in the DROP by
13 complying with the election process established by the board. The
14 member's election may be made at any time beginning on the date the
15 member has completed 20 years of participation in the fund and is
16 otherwise eligible for a service pension under Section 4(a)(1) [4]
17 of this article. [~~The election becomes effective on the first day~~
18 ~~of the month following the month in which the board approves the~~
19 ~~member's DROP election.~~] Beginning on the first day of the month
20 following the month in which the member makes an election to
21 participate in the DROP, subject to board approval, and ending on
22 the year 2017 effective date [~~of the member's DROP election~~],
23 amounts equal to the deductions made from the member's salary under
24 Section 13(c) of this article shall be credited to the member's DROP
25 account. Beginning after the year 2017 effective date, amounts
26 equal to the deductions made from the member's salary under Section
27 13(c) of this article may not be credited to the member's DROP

1 account.

2 (b-1) On or after the year 2017 effective date, an active
3 ~~[A]~~ member may not participate in the DROP for more than 13 ~~[10]~~
4 years. If a DROP participant remains in active service after the
5 13th ~~[10th]~~ anniversary of the effective date of the member's DROP
6 election:

7 (1) [7] subsequent deductions from the member's salary
8 under Section 13(c) of this article may not be credited to the
9 member's DROP account; and

10 (2) the account shall continue to be credited with
11 earnings in accordance with Subsection (d) of this section ~~[and may~~
12 ~~not otherwise increase any benefit payable from the fund for the~~
13 ~~member's service].~~

14 (c) After a member's DROP election becomes effective, an
15 amount equal to the monthly service pension the member would have
16 received under Section 4 of this article and Section 11(c), (c-1),
17 or (c-2) of this article, if applicable, had the member terminated
18 active service on the effective date of the member's DROP election
19 shall be credited to a DROP account maintained for the member. That
20 monthly credit to the member's DROP account shall continue until
21 the earlier of the date the member terminates active service or the
22 13th ~~[10th]~~ anniversary of the ~~[effective]~~ date of the first credit
23 to the member's DROP account ~~[election].~~

24 (d) A member's DROP account shall be credited with earnings
25 at an annual rate equal to 65 percent of the compounded average
26 annual return earned by the fund over the five years preceding, but
27 not including, the year during which the credit is given.

1 Notwithstanding the preceding, however, the credit to the member's
2 DROP account shall be at an annual rate of not less than 5.5 [~~five~~]
3 percent [~~nor greater than 10 percent~~], irrespective of actual
4 earnings.

5 (d-1) Earnings credited to a member's DROP account under
6 Subsection (d) of this section [~~Those earnings~~] shall be computed
7 and credited at a time and in a manner determined by the board,
8 except that earnings shall be credited not less frequently than
9 once in each 13-month period and shall take into account partial
10 years of participation in the DROP[~~. If the member has not~~
11 ~~terminated active service, the member's DROP account may not be~~
12 ~~credited with earnings after the 10th anniversary of the effective~~
13 ~~date of the member's DROP election~~].

14 (d-2) A member may not roll over accumulated unused sick or
15 vacation time paid to the member as a lump-sum payment after
16 termination of active service into the member's DROP account.

17 (e-1) In lieu of receiving a lump-sum payment on termination
18 from active service, a retired member who has been a DROP
19 participant or, if termination from active service was due to the
20 DROP participant's death, the surviving spouse of the DROP
21 participant may elect to leave the retired member's DROP account
22 with the fund and receive earnings credited to the DROP account in
23 the manner described by Subsection (d) of this section.

24 (m) A DROP participant with a break in service may receive
25 service credit within DROP for days worked after the regular
26 expiration of the maximum [~~permitted~~] DROP participation period
27 prescribed by this section. The service credit shall be limited to

1 the number of days in which the participant experienced a break in
2 service or the number of days required to constitute 13 [~~10~~] years
3 of DROP participation, whichever is smaller. A retired member who
4 previously participated in the DROP and who returns to active
5 service is subject to the terms of this section in effect at the
6 time of the member's return to active service.

7 SECTION 1.09. Section 5A, Article 6243e.2(1), Revised
8 Statutes, is amended by adding Subsection (o) to read as follows:

9 (o) Notwithstanding any other provision of this article, on
10 or after the year 2017 effective date:

11 (1) a PROP participant may not have any additional
12 amounts that the participant would otherwise receive as a monthly
13 service pension or other benefits under this article credited to
14 the participant's PROP account; and

15 (2) a person, including a member or surviving spouse,
16 may not elect to participate in the PROP.

17 SECTION 1.10. Section 8, Article 6243e.2(1), Revised
18 Statutes, is amended to read as follows:

19 Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF
20 CONTRIBUTIONS. (a) On or after the year 2017 effective date, a [A]
21 member who is hired as a firefighter before the year 2017 effective
22 date, including a member who was hired before the year 2017
23 effective date and who involuntarily separated from service but has
24 been retroactively reinstated in accordance with an arbitration,
25 civil service, or court ruling, terminates active service for any
26 reason other than death with at least 10 years of participation, but
27 less than 20 years of participation, is entitled to a monthly

1 deferred pension benefit, beginning at age 50, in an amount equal to
2 1.7 percent of the member's average monthly salary multiplied by
3 the amount of the member's years of participation.

4 (b) In lieu of the deferred pension benefit provided under
5 Subsection (a) of this section, a member who terminates active
6 service for any reason other than death with at least 10 years of
7 participation, but less than 20 years of participation, may elect
8 to receive a lump-sum refund of the member's contributions to the
9 fund with interest computed at five percent, not compounded, for
10 the member's contributions to the fund made before the year 2017
11 effective date and without interest for the member's contributions
12 to the fund made on or after the year 2017 effective date. A
13 member's election to receive a refund of contributions must be made
14 on a form approved by the board. The member's refund shall be paid
15 as soon as administratively practicable after the member's election
16 is received.

17 (c) Except as provided by Subsection (a) of this section, a
18 [A] member who is hired or rehired as a firefighter on or after the
19 year 2017 effective date or a member who terminates employment for
20 any reason other than death before the member has completed 10 years
21 of participation is entitled only to a refund of the member's
22 contributions without interest and is not entitled to a deferred
23 pension benefit under this section or to any other benefit under
24 this article. The member's refund shall be paid as soon as
25 administratively practicable after the effective date of the
26 member's termination of active service.

27 SECTION 1.11. Section 11, Article 6243e.2(1), Revised

1 Statutes, is amended by amending Subsection (c) and adding
2 Subsections (c-1), (c-2), (c-3), and (c-4) to read as follows:

3 (c) Subject to Subsection (c-3) of this section and except
4 as provided by Subsection (c-4) of this section, beginning with the
5 fiscal year ending June 30, 2021, the [The] benefits, including
6 survivor benefits, payable based on the service of a member who has
7 terminated active service and who is or would have been at least 55
8 [48] years old, received or is receiving an on-duty disability
9 pension under Section 6(c) of this article, or died under the
10 conditions described by Section 7(c) of this article, shall be
11 increased [by three percent] in October of each year by a percentage
12 rate equal to the most recent five fiscal years' smoothed return, as
13 determined by the fund actuary, minus 500 basis points [and, if the
14 benefit had not previously been subject to that adjustment, in the
15 month of the member's 48th birthday].

16 (c-1) Subject to Subsection (c-3) of this section and except
17 as provided by Subsection (c-4) of this section, for the fund's
18 fiscal years ending June 30, 2018, and June 30, 2019, the benefits,
19 including survivor benefits, payable based on the service of a
20 member who is or would have been at least 70 years old and who
21 received or is receiving a service pension under Section 4 of this
22 article, received or is receiving an on-duty disability pension
23 under Section 6(c) of this article, or died under the conditions
24 described by Section 7(c) of this article, shall be adjusted in
25 October of each applicable fiscal year by a percentage rate equal to
26 the most recent five fiscal years' smoothed return, as determined
27 by the fund actuary, minus 500 basis points.

1 (c-2) Subject to Subsection (c-3) of this section and except
2 as provided by Subsection (c-4) of this section, for the fund's
3 fiscal year ending June 30, 2020, members described by Subsection
4 (c-1) of this section shall receive the increase provided under
5 Subsection (c) of this section.

6 (c-3) The percentage rate prescribed by Subsections (c),
7 (c-1), and (c-2) of this section may not be less than zero percent
8 or more than four percent, irrespective of the return rate of the
9 fund's investment portfolio.

10 (c-4) Each year after the year 2017 effective date, a member
11 who elects to participate in the DROP under Section 5 of this
12 article may not receive the increase provided under Subsection (c),
13 (c-1), or (c-2) of this section in any October during which the
14 member participates in the DROP.

15 SECTION 1.12. The heading to Section 13, Article
16 6243e.2(1), Revised Statutes, is amended to read as follows:

17 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

18 SECTION 1.13. Section 13(c), Article 6243e.2(1), Revised
19 Statutes, is amended to read as follows:

20 (c) Subject to adjustments authorized by Section 13E or 13F
21 of this article, each [~~Each~~] member in active service shall make
22 contributions to the fund in an amount equal to 10.5 [~~8.35~~] percent
23 of the member's salary at the time of the contribution[~~, and as of~~
24 ~~July 1, 2004, in an amount equal to nine percent of the member's~~
25 ~~salary at the time of the contribution~~]. The governing body of the
26 municipality shall deduct the contributions from the member's
27 salary and shall forward the contributions to the fund as soon as

1 practicable.

2 SECTION 1.14. Article 6243e.2(1), Revised Statutes, is
3 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, and 13G to
4 read as follows:

5 Sec. 13A. MUNICIPAL CONTRIBUTIONS. (a) Beginning with the
6 year 2017 effective date, the municipality shall make contributions
7 to the fund as provided by this section and Section 13C, 13E, or 13F
8 of this article, as applicable. The municipality shall contribute:

9 (1) except by written agreement between the
10 municipality and the board providing for an earlier contribution
11 date, beginning with the year 2017 effective date and ending with
12 the fiscal year ending June 30, 2018, an amount, as determined in
13 the initial risk sharing valuation study conducted under Section
14 13C of this article, equal to the municipal contribution rate
15 multiplied by the pensionable payroll for the fiscal year; and

16 (2) for each fiscal year after the fiscal year ending
17 June 30, 2018, an amount, as determined in the subsequent risk
18 sharing valuation study conducted under Section 13B of this
19 article, equal to the municipal contribution rate multiplied by the
20 pensionable payroll for the applicable fiscal year.

21 (b) At least biweekly, the municipality shall make the
22 contributions required by Subsection (a) of this section by
23 depositing with the fund an amount equal to the municipal
24 contribution rate multiplied by the pensionable payroll for the
25 applicable biweekly period.

26 (c) Subject to Section 13E or 13F of this article, the
27 municipal contribution rate:

1 (1) except as provided by Subdivision (2) of this
2 subsection, is a percent that equals the sum of the employer normal
3 cost rate and the amortization rate for all liability layers; and

4 (2) may not exceed the maximum contribution rate or be
5 less than the minimum contribution rate.

6 (d) With respect to each fiscal year:

7 (1) the first contribution by the municipality under
8 this section for the fiscal year shall be made not later than the
9 date payment is made to firefighters for their first full biweekly
10 pay period beginning on or after the first day of the fiscal year;
11 and

12 (2) the final contribution by the municipality under
13 this section for the fiscal year shall be made not later than the
14 date payment is made to firefighters for the final biweekly pay
15 period of the fiscal year.

16 (e) In addition to the amounts required under this section,
17 the municipality may at any time contribute additional amounts for
18 deposit in the fund by entering into a written agreement with the
19 board.

20 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund and
21 the municipality shall prepare a risk sharing valuation study in
22 accordance with this section. A risk sharing valuation study must:

23 (1) be included in the fund's standard valuation study
24 prepared annually by the fund;

25 (2) calculate the unfunded actuarial accrued
26 liability of the fund consistent with actuarial standards of
27 practice and based on actuarial data or estimates of actuarial data

1 provided by the fund actuary;

2 (3) estimate the municipal contribution rate by making
3 adjustments to the calculation of the rate that do not require
4 agreement between the municipality and the board under Section 13E
5 or 13F of this article;

6 (4) subject to Subsection (g) of this section, be
7 based on assumptions and methods determined based on the most
8 recent actuarial experience study conducted under Section 13D of
9 this article, provided the following assumptions and methods are
10 used:

11 (A) an ultimate entry age normal actuarial
12 method;

13 (B) for purposes of determining the actuarial
14 value of assets:

15 (i) except as provided by Subparagraph (ii)
16 of this paragraph and Section 13E(c)(1) or 13F(c)(1) of this
17 article, an asset smoothing method recognizing actuarial losses and
18 gains over a five-year period applied prospectively beginning on
19 the year 2017 effective date; and

20 (ii) for the initial risk sharing valuation
21 study prepared under Section 13C of this article, a
22 marked-to-market method applied as of June 30, 2016;

23 (C) closed layered amortization of liability
24 layers to ensure that the amortization period for each layer begins
25 12 months after the date of the risk sharing valuation study in
26 which the liability layer is first recognized;

27 (D) each liability layer is assigned an

1 amortization period;

2 (E) each liability loss layer amortized over a
3 period of 30 years from the first day of the fiscal year beginning
4 12 months after the date of the risk sharing valuation study in
5 which the liability loss layer is first recognized, except that the
6 legacy liability must be amortized from July 1, 2016, for a 30-year
7 period beginning July 1, 2017;

8 (F) the amortization period for each liability
9 gain layer being:

10 (i) equal to the remaining amortization
11 period on the largest remaining liability loss layer and the two
12 layers must be treated as one layer such that if the payoff year of
13 the liability loss layer is accelerated or extended, the payoff
14 year of the liability gain layer is also accelerated or extended; or

15 (ii) if there is no liability loss layer, a
16 period of 30 years from the first day of the fiscal year beginning
17 12 months after the date of the risk sharing valuation study in
18 which the liability gain layer is first recognized;

19 (G) liability layers, including the legacy
20 liability, funded according to the level percent of payroll method;

21 (H) the assumed rate of return, subject to
22 adjustment under Section 13E(c)(2) of this article or, if Section
23 13C(g) of this article applies, adjustment in accordance with a
24 written agreement;

25 (I) the price inflation assumption, which shall
26 be adjusted by plus or minus 50 basis points based on the most
27 recent actuarial experience study;

1 (J) projected salary increases and payroll
2 growth rate set in consultation with the municipality's finance
3 director; and

4 (K) payroll for purposes of determining the
5 corridor midpoint and municipal contribution rate must be projected
6 using the annual payroll growth rate assumption; and

7 (5) be revised and restated, if appropriate, not later
8 than the 30th day after the date of a written agreement between the
9 municipality and the board.

10 (b) As soon as practicable after the end of a fiscal year,
11 the fund actuary at the direction of the fund and the municipal
12 actuary at the direction of the municipality shall separately
13 prepare a proposed risk sharing valuation study based on the fiscal
14 year that just ended.

15 (c) Not later than September 30 following the end of the
16 fiscal year, the fund shall provide to the municipal actuary, under
17 a confidentiality agreement in which the municipal actuary agrees
18 to comply with the confidentiality provisions of Section 17 of this
19 article, the actuarial data described by Subsection (a)(2) of this
20 section.

21 (d) Not later than the 150th day after the last day of the
22 fiscal year:

23 (1) the fund actuary, at the direction of the fund,
24 shall provide the proposed risk sharing valuation study prepared by
25 the fund actuary under Subsection (b) of this section to the
26 municipal actuary; and

27 (2) the municipal actuary, at the direction of the

1 municipality, shall provide the proposed risk sharing valuation
2 study prepared by the municipal actuary under Subsection (b) of
3 this section to the fund actuary.

4 (e) Each actuary described by Subsection (d) of this section
5 may provide copies of the proposed risk sharing valuation studies
6 to the municipality or to the fund, as appropriate.

7 (f) If, after exchanging proposed risk sharing valuation
8 studies under Subsection (d) of this section, it is found that the
9 difference between the projected municipal contribution rate in the
10 proposed risk sharing valuation study prepared by the fund actuary
11 and the projected municipal contribution rate in the proposed risk
12 sharing valuation study prepared by the municipal actuary for the
13 corresponding fiscal year is:

14 (1) less than or equal to two percentage points, the
15 municipal contribution rate proposed by the fund actuary will be
16 used, and the risk sharing valuation study prepared by the fund is
17 considered to be the final risk sharing valuation study for the
18 fiscal year for the purposes of this article; or

19 (2) greater than two percentage points, the municipal
20 actuary and the fund actuary shall have 20 business days to
21 reconcile the difference, provided that, without the mutual
22 agreement of both actuaries, the difference in the municipal
23 contribution rate calculated by the municipal actuary and the
24 municipal contribution rate calculated by the fund actuary may not
25 be further increased and:

26 (A) if, as a result of reconciliation efforts
27 under this subdivision, the difference is reduced to less than or

1 equal to two percentage points:

2 (i) the municipal contribution rate
3 proposed under the reconciliation by the fund actuary will be used;
4 and

5 (ii) the fund's risk sharing valuation
6 study is considered to be the final risk sharing valuation study for
7 the fiscal year for the purposes of this article; or

8 (B) if, after 20 business days, the fund actuary
9 and the municipal actuary are not able to reach a reconciliation
10 that reduces the difference to an amount less than or equal to two
11 percentage points:

12 (i) the municipal actuary at the direction
13 of the municipality and the fund actuary at the direction of the
14 fund each shall deliver to the finance director of the municipality
15 and the executive director of the fund a final risk sharing
16 valuation study with any agreed-to changes, marked as the final
17 risk sharing valuation study for each actuary; and

18 (ii) not later than the 90th day before the
19 first day of the next fiscal year, the finance director and the
20 executive director shall execute a joint addendum to the final risk
21 sharing valuation study received under Subparagraph (i) of this
22 paragraph that is a part of the final risk sharing valuation study
23 for the fiscal year for all purposes and reflects the arithmetic
24 average of the municipal contribution rates for the fiscal year
25 stated in the final risk sharing valuation study.

26 (g) The assumptions and methods used and the types of
27 actuarial data and financial information used to prepare the

1 initial risk sharing valuation study under Section 13C of this
2 article shall be used to prepare each subsequent risk sharing
3 valuation study under this section, unless changed based on the
4 actuarial experience study conducted under Section 13D of this
5 article.

6 (h) The actuarial data provided under Subsection (a)(2) of
7 this section may not include the identifying information of
8 individual members.

9 Sec. 13C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
10 MIDPOINT. (a) The fund and the municipality shall separately
11 prepare an initial risk sharing valuation study that is dated as of
12 July 1, 2016, in accordance with this section. An initial risk
13 sharing valuation study must:

14 (1) except as otherwise provided by this section, be
15 prepared in accordance with Section 13B of this article and for
16 purposes of Section 13B(a)(2) of this article, be based on
17 actuarial data as of June 30, 2016; and

18 (2) project the corridor midpoint for 31 fiscal years
19 beginning with the fiscal year beginning July 1, 2017.

20 (b) If the following actions are not taken before the year
21 2017 effective date, as soon as practicable after the year 2017
22 effective date:

23 (1) the fund shall provide to the municipal actuary,
24 under a confidentiality agreement, the actuarial data needed to
25 prepare the proposed initial risk sharing valuation study;

26 (2) not later than the 30th day after the date the
27 municipal actuary receives the actuarial data:

1 (A) the municipal actuary, at the direction of
2 the municipality, shall provide a proposed initial risk sharing
3 valuation study to the fund actuary; and

4 (B) the fund actuary, at the direction of the
5 fund, shall provide a proposed initial risk sharing valuation study
6 to the municipal actuary; and

7 (3) the municipal actuary and the fund actuary shall
8 adopt an initial risk sharing valuation study in accordance with
9 Subsection (c) of this section.

10 (c) If, after exchanging proposed initial risk sharing
11 valuation studies under Subsection (b)(2) of this section, it is
12 determined that the difference between the contribution rate for
13 any fiscal year in the proposed initial risk sharing valuation
14 study prepared by the fund actuary and the contribution rate for any
15 fiscal year in the proposed initial risk sharing valuation study
16 prepared by the municipal actuary is:

17 (1) less than or equal to two percentage points, the
18 municipal contribution rate for that fiscal year as determined by
19 the fund actuary will be used; or

20 (2) greater than two percentage points, the municipal
21 actuary and the fund actuary shall have 20 business days to
22 reconcile the difference and:

23 (A) if, as a result of reconciliation efforts
24 under this subdivision, the difference in any fiscal year is
25 reduced to less than or equal to two percentage points, the
26 municipal contribution rate as determined by the fund actuary for
27 that fiscal year will be used; or

1 (B) if, after 20 business days, the municipal
2 actuary and the fund actuary are not able to reach a reconciliation
3 that reduces the difference to an amount less than or equal to two
4 percentage points for any fiscal year:

5 (i) the municipal actuary at the direction
6 of the municipality and the fund actuary at the direction of the
7 fund each shall deliver to the finance director of the municipality
8 and the executive director of the fund a final initial risk sharing
9 valuation study with any agreed-to changes, marked as the final
10 initial risk sharing valuation study for each actuary; and

11 (ii) the finance director and the executive
12 director shall execute a joint addendum to the final initial risk
13 sharing valuation study that is a part of each final initial risk
14 sharing valuation study for all purposes and that reflects the
15 arithmetic average of the municipal contribution rate for each
16 fiscal year in which the difference was greater than two percentage
17 points.

18 (d) In preparing the initial risk sharing valuation study,
19 the municipal actuary and fund actuary shall:

20 (1) adjust the actuarial value of assets to be equal to
21 the current market value of assets;

22 (2) assume the issuance of planned pension obligation
23 bonds by December 31, 2017; and

24 (3) assume benefit and contribution changes
25 contemplated by this article as of the year 2017 effective date.

26 (e) If the municipal actuary does not prepare an initial
27 risk sharing valuation study for purposes of this section, the fund

1 actuary's initial risk sharing valuation study will be used as the
2 final risk sharing valuation study for purposes of this article
3 unless the municipality did not prepare a proposed initial risk
4 sharing valuation study because the fund actuary did not provide
5 the necessary actuarial data in a timely manner. If the
6 municipality did not prepare a proposed initial risk sharing
7 valuation study because the fund actuary did not provide the
8 necessary actuarial data in a timely manner, the municipal actuary
9 shall have 60 days to prepare the proposed initial risk sharing
10 valuation study on receipt of the necessary information.

11 (f) If the fund actuary does not prepare a proposed initial
12 risk sharing valuation study for purposes of this section, the
13 proposed initial risk sharing valuation study prepared by the
14 municipal actuary will be the final risk sharing valuation study
15 for purposes of this article.

16 (g) The municipality and the board may agree on a transition
17 plan for resetting the corridor midpoint:

18 (1) if at any time the funded ratio is equal to or
19 greater than 100 percent; or

20 (2) for any fiscal year after the payoff year of the
21 legacy liability.

22 (h) If the municipality and the board have not entered into
23 an agreement described by Subsection (g) of this section in a given
24 fiscal year, the corridor midpoint will be the value determined in
25 the initial risk sharing valuation study prepared in accordance
26 with this section.

27 (i) If the municipality makes a contribution to the fund of

1 at least \$5 million more than the amount that would be required by
2 Section 13A(a) of this article, a liability gain layer with the same
3 remaining amortization period as the legacy liability is created
4 and the corridor midpoint shall be decreased by the amortized
5 amount in each fiscal year covered by the liability gain layer
6 produced divided by the projected pensionable payroll.

7 Sec. 13D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
8 every four years, the fund actuary at the direction of the fund
9 shall conduct an actuarial experience study. The actuarial
10 experience study required by this subsection must be completed not
11 later than September 30 of the year in which the study is required
12 to be conducted.

13 (b) Except as otherwise expressly provided by Section 13B of
14 this article, actuarial assumptions and methods used in the
15 preparation of a risk sharing valuation study, other than the
16 initial risk sharing valuation study, shall be based on the results
17 of the most recent actuarial experience study.

18 (c) Not later than the 180th day before the date the board
19 may consider adopting any assumptions and methods for purposes of
20 Section 13B of this article, the fund shall provide the municipal
21 actuary with a substantially final draft of the fund's actuarial
22 experience study, including:

23 (1) all assumptions and methods recommended by the
24 fund actuary; and

25 (2) summaries of the reconciled actuarial data used in
26 creation of the actuarial experience study.

27 (d) Not later than the 60th day after the date the

1 municipality receives the final draft of the fund's actuarial
2 experience study under Subsection (c) of this section, the
3 municipal actuary and fund actuary shall confer and cooperate on
4 reconciling and producing a final actuarial experience study.
5 During the period prescribed by this subsection, the fund actuary
6 may modify the recommended assumptions in the draft actuarial
7 experience study to reflect any changes to assumptions and methods
8 to which the fund actuary and the municipal actuary agree.

9 (e) At the municipal actuary's written request, the fund
10 shall provide additional actuarial data used by the fund actuary to
11 prepare the draft actuarial experience study, provided that
12 confidential data may only be provided subject to a confidentiality
13 agreement in which the municipal actuary agrees to comply with the
14 confidentiality provisions of Section 17 of this article.

15 (f) The municipal actuary at the direction of the
16 municipality shall provide in writing to the fund actuary and the
17 fund:

18 (1) any assumptions and methods recommended by the
19 municipal actuary that differ from the assumptions and methods
20 recommended by the fund actuary; and

21 (2) the municipal actuary's rationale for each method
22 or assumption the actuary recommends and determines to be
23 consistent with standards adopted by the Actuarial Standards Board.

24 (g) Not later than the 30th day after the date the fund
25 actuary receives the municipal actuary's written recommended
26 assumptions and methods and rationale under Subsection (f) of this
27 section, the fund shall provide a written response to the municipal

1 actuary identifying any assumption or method recommended by the
2 municipal actuary that the fund does not accept. If any assumption
3 or method is not accepted, the fund shall recommend to the
4 municipality the names of three independent actuaries for purposes
5 of this section.

6 (h) An actuary may only be recommended, selected, or engaged
7 by the fund as an independent actuary under this section if the
8 person:

9 (1) is not already engaged by the municipality, the
10 fund, or any other pension system authorized under Article 6243g-4,
11 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th
12 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
13 Civil Statutes), to provide actuarial services to the municipality,
14 the fund, or another pension system;

15 (2) is a member of the American Academy of Actuaries;
16 and

17 (3) has at least five years of experience as an actuary
18 working with one or more public retirement systems with assets in
19 excess of \$1 billion.

20 (i) Not later than the 20th day after the date the
21 municipality receives the list of three independent actuaries under
22 Subsection (g) of this section, the municipality shall identify and
23 the fund shall hire one of the listed independent actuaries on terms
24 acceptable to the municipality and the fund to perform a scope of
25 work acceptable to the municipality and the fund. The municipality
26 and the fund each shall pay 50 percent of the cost of the
27 independent actuary engaged under this subsection. The

1 municipality shall be provided the opportunity to participate in
2 any communications between the independent actuary and the fund
3 concerning the engagement, engagement terms, or performance of the
4 terms of the engagement.

5 (j) The independent actuary engaged under Subsection (i) of
6 this section shall receive on request from the municipality or the
7 fund:

8 (1) the fund's draft actuarial experience study,
9 including all assumptions and methods recommended by the fund
10 actuary;

11 (2) summaries of the reconciled actuarial data used to
12 prepare the draft actuarial experience study;

13 (3) the municipal actuary's specific recommended
14 assumptions and methods together with the municipal actuary's
15 written rationale for each recommendation;

16 (4) the fund actuary's written rationale for its
17 recommendations; and

18 (5) if requested by the independent actuary and
19 subject to a confidentiality agreement in which the independent
20 actuary agrees to comply with the confidentiality provisions of
21 Section 17 of this article, additional confidential actuarial data.

22 (k) Not later than the 30th day after the date the
23 independent actuary receives all the requested information under
24 Subsection (j) of this section, the independent actuary shall
25 advise the fund and the municipality whether it agrees with the
26 assumption or method recommended by the municipal actuary or the
27 corresponding method or assumption recommended by the fund actuary,

1 together with the independent actuary's rationale for making the
2 determination. During the period prescribed by this subsection,
3 the independent actuary may discuss recommendations in
4 simultaneous consultation with the fund actuary and the municipal
5 actuary.

6 (l) The fund and the municipality may not seek any
7 information from any prospective independent actuary about
8 possible outcomes of the independent actuary's review.

9 (m) If an independent actuary has questions or concerns
10 regarding an engagement entered into under this section, the
11 independent actuary shall simultaneously consult with both the
12 municipal actuary and the fund actuary regarding the questions or
13 concerns. This subsection does not limit the fund's authorization
14 to take appropriate steps to complete the engagement of the
15 independent actuary on terms acceptable to both the fund and the
16 municipality or to enter into a confidentiality agreement with the
17 independent actuary, if needed.

18 (n) If the board does not adopt an assumption or method
19 recommended by the municipal or fund actuary and to which the
20 independent actuary agrees, the municipal actuary is authorized to
21 use that recommended assumption or method in connection with
22 preparation of a risk sharing valuation study under Section 13B of
23 this article until the next actuarial experience study is
24 conducted.

25 Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
26 MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT;
27 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs

1 the determination of the municipal contribution rate applicable in
2 a fiscal year if the estimated municipal contribution rate under a
3 risk sharing valuation study prepared under Section 13B or 13C of
4 this article, as applicable, is lower than the corridor midpoint.

5 (b) If the funded ratio is:

6 (1) less than 90 percent and the proposed municipal
7 contribution rate is equal to or greater than the minimum
8 contribution rate, the municipal contribution rate for the fiscal
9 year equals the corridor midpoint; or

10 (2) equal to or greater than 90 percent and the
11 municipal contribution rate is:

12 (A) equal to or greater than the minimum
13 contribution rate, the estimated municipal contribution rate is the
14 municipal contribution rate for the fiscal year; or

15 (B) except as provided by Subsection (d) or (e)
16 of this section, less than the minimum contribution rate for the
17 corresponding fiscal year, the municipal contribution rate for the
18 fiscal year equals the minimum contribution rate achieved in
19 accordance with Subsection (c) of this section.

20 (c) For purposes of Subsection (b)(2)(B) of this section,
21 the following adjustments shall be applied sequentially to the
22 extent required to increase the estimated municipal contribution
23 rate to equal the minimum contribution rate:

24 (1) first, adjust the actuarial value of assets equal
25 to the current market value of assets, if making the adjustment
26 causes the municipal contribution rate to increase;

27 (2) second, under a written agreement between the

1 municipality and the board entered into not later than April 30
2 before the first day of the next fiscal year, reduce the assumed
3 rate of return;

4 (3) third, under a written agreement between the
5 municipality and the board entered into not later than April 30
6 before the first day of the next fiscal year, prospectively restore
7 all or part of any benefit reductions or reduce increased employee
8 contributions, in each case made after the year 2017 effective
9 date; and

10 (4) fourth, accelerate the payoff year of the existing
11 liability loss layers, including the legacy liability, by
12 accelerating the oldest liability loss layers first, to an
13 amortization period that is not less than 10 years from the first
14 day of the fiscal year beginning 12 months after the date of the
15 risk sharing valuation study in which the liability loss layer is
16 first recognized.

17 (d) If the funded ratio is:

18 (1) equal to or greater than 100 percent:

19 (A) all existing liability layers, including the
20 legacy liability, are considered fully amortized and paid;

21 (B) the applicable fiscal year is the payoff year
22 for the legacy liability; and

23 (C) for each fiscal year subsequent to the fiscal
24 year described by Paragraph (B) of this subdivision, the corridor
25 midpoint shall be determined as provided by Section 13C(g) of this
26 article; and

27 (2) greater than 100 percent in a written agreement

1 between the municipality and the fund, the fund may reduce member
2 contributions or increase pension benefits if, as a result of the
3 action:

4 (A) the funded ratio is not less than 90 percent;
5 and

6 (B) the municipal contribution rate is not more
7 than the minimum contribution rate.

8 (e) Except as provided by Subsection (f) of this section, if
9 an agreement under Subsection (d) of this section is not reached on
10 or before April 30 before the first day of the next fiscal year,
11 before the first day of the next fiscal year the board shall reduce
12 member contributions and implement or increase cost-of-living
13 adjustments, but only to the extent that the municipal contribution
14 rate is set at or below the minimum contribution rate and the funded
15 ratio is not less than 90 percent.

16 (f) If any member contribution reduction or benefit
17 increase has occurred within the previous three fiscal years, the
18 board may not make additional adjustments to benefits, and the
19 municipal contribution rate must be set to equal the minimum
20 contribution rate.

21 Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
22 MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR
23 MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section
24 governs the determination of the municipal contribution rate in a
25 fiscal year when the estimated municipal contribution rate under a
26 risk sharing valuation study prepared under Section 13B or 13C of
27 this article, as applicable, is equal to or greater than the

1 corridor midpoint.

2 (b) If the estimated municipal contribution rate is:

3 (1) less than or equal to the maximum contribution
4 rate for the corresponding fiscal year, the estimated municipal
5 contribution rate is the municipal contribution rate; or

6 (2) except as provided by Subsection (d) or (f) of this
7 section, greater than the maximum contribution rate for the
8 corresponding fiscal year, the municipal contribution rate equals
9 the corridor midpoint achieved in accordance with Subsection (c) of
10 this section.

11 (c) For purposes of Subsection (b)(2) of this section, the
12 following adjustments shall be applied sequentially to the extent
13 required to decrease the estimated municipal contribution rate to
14 equal the corridor midpoint:

15 (1) first, if the payoff year of the legacy liability
16 was accelerated under Section 13E(c) of this article, extend the
17 payoff year of existing liability loss layers, by extending the
18 most recent loss layers first, to a payoff year not later than 30
19 years from the first day of the fiscal year beginning 12 months
20 after the date of the risk sharing valuation study in which the
21 liability loss layer is first recognized; and

22 (2) second, adjust the actuarial value of assets to
23 the current market value of assets, if making the adjustment causes
24 the municipal contribution rate to decrease.

25 (d) If the municipal contribution rate after adjustment
26 under Subsection (c) of this section is greater than the third
27 quarter line rate:

1 (1) the municipal contribution rate equals the third
2 quarter line rate; and

3 (2) to the extent necessary to comply with Subdivision
4 (1) of this subsection, the municipality and the board shall enter
5 into a written agreement to increase member contributions and make
6 other benefit or plan changes not otherwise prohibited by
7 applicable federal law or regulations.

8 (e) Gains resulting from adjustments made as the result of a
9 written agreement between the municipality and the board under
10 Subsection (d)(2) of this section must be applied to the municipal
11 contribution rate and not to the legacy liability.

12 (f) If an agreement under Subsection (d)(2) of this section
13 is not reached on or before April 30 before the first day of the next
14 fiscal year, before the start of the next fiscal year to which the
15 municipal contribution rate would apply, the board, to the extent
16 necessary to set the municipal contribution rate equal to the third
17 quarter line rate, shall:

18 (1) increase member contributions and decrease
19 cost-of-living adjustments;

20 (2) increase the normal retirement age; or

21 (3) take all actions authorized under Subdivisions (1)
22 and (2) of this subsection.

23 (g) If the municipal contribution rate remains greater than
24 the corridor midpoint in the third fiscal year after adjustments
25 are made in accordance with Subsection (d)(2) of this section, in
26 that fiscal year the municipal contribution rate equals the
27 corridor midpoint achieved in accordance with Subsection (h) of

1 this section.

2 (h) The municipal contribution rate must be set at the
3 corridor midpoint under Subsection (g) of this section by:

4 (1) in the risk sharing valuation study for the third
5 fiscal year described by Subsection (d)(2) of this section,
6 adjusting the actuarial value of assets to equal the current market
7 value of assets, if making the adjustment causes the municipal
8 contribution rate to decrease; and

9 (2) under a written agreement entered into between the
10 municipality and the board:

11 (A) increasing member contributions; and

12 (B) making any other benefit or plan changes not
13 otherwise prohibited by applicable federal law or regulations.

14 (i) If an agreement under Subsection (h)(2) of this section
15 is not reached on or before April 30 before the first day of the next
16 fiscal year, before the start of the next fiscal year, the board, to
17 the extent necessary to set the municipal contribution rate equal
18 to the corridor midpoint, shall:

19 (1) increase member contributions and decrease
20 cost-of-living adjustments;

21 (2) increase the normal retirement age; or

22 (3) take all actions authorized under Subdivisions (1)
23 and (2) of this subsection.

24 Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING
25 PROVISIONS; UNILATERAL ACTION PROHIBITED. (a) Nothing in this
26 article, including Section 2(p) or (p-1) of this article and any
27 authority of the board to construe and interpret this article, to

1 determine any fact, to take any action, or to interpret any terms
2 used in Sections 13A through 13F of this article, may alter or
3 change Sections 13A through 13F of this article.

4 (b) No unilateral decision or action by the board is binding
5 on the municipality and no unilateral action by the municipality is
6 binding on the fund with respect to the application of Sections 13A
7 through 13F of this article unless expressly provided by a
8 provision of those sections. Nothing in this subsection is intended
9 to limit the powers or authority of the board.

10 (c) Section 10 of this article does not apply to a benefit
11 increase under Section 13E of this article, and Section 10 of this
12 article is suspended while Sections 13A through 13F of this article
13 are in effect.

14 SECTION 1.15. Section 17, Article 6243e.2(1), Revised
15 Statutes, is amended by adding Subsections (f), (g), (h), (i), and
16 (j) to read as follows:

17 (f) To carry out the provisions of Sections 13A through 13F
18 of this article, the board and the fund must provide the municipal
19 actuary under a confidentiality agreement the actuarial data used
20 by the fund actuary for the fund's actuarial valuations or
21 valuation studies and other data as agreed to between the
22 municipality and the fund that the municipal actuary determines is
23 reasonably necessary for the municipal actuary to perform the
24 studies required by Sections 13A through 13F of this article.
25 Actuarial data described by this subsection does not include
26 information described by Subsection (a) of this section.

27 (g) A risk sharing valuation study prepared by either the

1 municipal actuary or the fund actuary under Sections 13A through
2 13F of this article may not:

3 (1) include information described by Subsection (a) of
4 this section; or

5 (2) provide confidential or private information
6 regarding specific individuals or be grouped in a manner that
7 allows confidential or private information regarding a specific
8 individual to be discerned.

9 (h) The information, data, and document exchanges under
10 Sections 13A through 13F of this article have all the protections
11 afforded by applicable law and are expressly exempt from the
12 disclosure requirements under Chapter 552, Government Code, except
13 as may be agreed to by the municipality and fund in a written
14 agreement.

15 (i) Subsection (h) of this section does not apply to final
16 risk sharing valuation studies prepared under Section 13B or 13C of
17 this article.

18 (j) Before a union contract is approved by the municipality,
19 the mayor of the municipality shall cause the municipal actuaries
20 to deliver to the mayor a report estimating the impact of the
21 proposed union contract on fund costs.

22 SECTION 1.16. Sections 13(d) and (e), Article 6243e.2(1),
23 Revised Statutes, are repealed.

24 SECTION 1.17. Notwithstanding Section 1(1-e), Article
25 6243e.2(1), Revised Statutes, as added by this Act, the assumed
26 rate of return for the fiscal year ending June 30, 2018, is seven
27 percent per year for purposes of Article 6243e.2(1), Revised

1 Statutes.

2 SECTION 1.18. The firefighters' relief and retirement fund
3 established under Article 6243e.2(1), Revised Statutes, shall
4 require the fund actuary to prepare the first actuarial experience
5 study required under Section 13D, Article 6243e.2(1), Revised
6 Statutes, as added by this Act, not later than September 30, 2020.

7 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

8 SECTION 2.01. Section 1, Article 6243g-4, Revised Statutes,
9 is amended to read as follows:

10 Sec. 1. PURPOSE. The purpose of this article is to restate
11 and amend the provisions of former law creating and governing a
12 police officers pension system in each city in this state having a
13 population of two [~~1.5~~] million or more, according to the most
14 recent federal decennial census, and to reflect changes agreed to
15 by the city and the board of trustees of the pension system under
16 Section 27 of this article. The pension system shall continue to
17 operate regardless of whether the city's population falls below two
18 [~~1.5~~] million.

19 SECTION 2.02. Article 6243g-4, Revised Statutes, is amended
20 by adding Section 1A to read as follows:

21 Sec. 1A. INTERPRETATION OF ARTICLE. This article does not
22 and may not be interpreted to:

23 (1) relieve the city, the board, or the pension system
24 of their respective obligations under Sections 9 through 9E of this
25 article or under any agreement between the city and the board under
26 Section 27 of this article;

27 (2) reduce or modify the rights of the city, the board,

1 or the pension system, including any officer or employee of the
2 city, board, or pension system, to enforce obligations described by
3 Subdivision (1) of this section;

4 (3) relieve the city, including any official or
5 employee of the city, from:

6 (A) paying or directing to pay required
7 contributions to the pension system under Section 8 or 9 of this
8 article or taking other steps required by Sections 9D and 9E of this
9 article or under any agreement between the city and the board; or

10 (B) reducing or modifying the rights of the board
11 and any officer or employee of the board or pension system to
12 enforce obligations described by Subdivision (1) of this section;

13 (4) relieve the pension system or board, including any
14 officer or employee of the pension system or board, from any
15 obligation to implement a benefit change or take other steps
16 required by Section 9D or 9E of this article or under any agreement
17 between the city and the board under Section 27 of this article; or

18 (5) reduce or modify the rights of the city and any
19 officer or employee of the city to enforce an obligation described
20 by Subdivision (4) of this section.

21 SECTION 2.03. Section 2, Article 6243g-4, Revised Statutes,
22 is amended by amending Subdivisions (1), (2), (3), (4-a), (11),
23 (13), (14-a), (17), (17-a), and (22) and adding Subdivisions (1-a),
24 (1-b), (1-c), (4-b), (4-c), (4-d), (5-a), (5-b), (5-c), (10-a),
25 (10-b), (10-c), (10-d), (12-a), (13-a), (13-b), (13-c), (13-d),
26 (13-e), (13-f), (14-b), (14-c), (15-a), (15-b), (16-a), (16-b),
27 (17-b), (17-c), (17-d), (17-e), (24), (25), (26), (27), (28), and

1 (29) to read as follows:

2 (1) "Active member" means an employee of the city
3 within [~~a person employed as a classified police officer by~~] the
4 police department of a city subject to this article, in a classified
5 or appointed position, except for a person in an appointed position
6 who opts out of the plan, a person who is a part-time, seasonal, or
7 temporary employee, or a person who elected to remain a member of a
8 pension system described by Chapter 88, Acts of the 77th
9 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
10 Civil Statutes). The term does not include a person who is a member
11 of another pension system of the same city, except to the extent
12 provided by Section [~~15(j) or~~] 18 of this article.

13 (1-a) "Actuarial data" includes:

14 (A) the census data, assumption tables,
15 disclosure of methods, and financial information that are routinely
16 used by the pension system actuary to prepare an actuarial
17 valuation or an actuarial experience study under Section 9C of this
18 article; and

19 (B) any other data that is reasonably necessary
20 to prepare a risk sharing valuation study under Section 9A or 9B of
21 this article.

22 (1-b) "Actuarial experience study" has the meaning
23 assigned by Section 802.1014, Government Code.

24 (1-c) "Amortization period" means the time period
25 necessary to fully pay a liability layer.

26 (2) "Amortization rate" means the sum of the scheduled
27 amortization payments for a given fiscal year for the current

1 liability layers divided by the projected pensionable payroll for
2 that fiscal year. [~~"Average total direct pay" means an amount~~
3 ~~determined by dividing the following sum by 12:~~

4 [~~(A) the highest biweekly pay received by a~~
5 ~~member for any single pay period in the last 26 pay periods in which~~
6 ~~the member worked full-time, considering only items of total direct~~
7 ~~pay that are included in each paycheck, multiplied by 26; plus~~

8 [~~(B) the total direct pay, excluding all items of~~
9 ~~the type included in Paragraph (A) received during the same last 26~~
10 ~~biweekly pay periods.]~~

11 (3) "Assumed rate of return" means the assumed market
12 rate of return on pension system assets [~~"Base salary" means the~~
13 ~~monthly base pay provided for the classified position in the police~~
14 ~~department held by the member].~~

15 (4-a) "Catastrophic injury" means a sudden, violent,
16 life-threatening, duty-related injury sustained by an active
17 member that is due to an externally caused motor vehicle accident,
18 gunshot wound, aggravated assault, or other external event or
19 events and results, as supported by evidence, in one of the
20 following conditions:

21 (A) total, complete, and permanent loss of sight
22 in one or both eyes;

23 (B) total, complete, and permanent loss of the
24 use of one or both feet at or above the ankle;

25 (C) total, complete, and permanent loss of the
26 use of one or both hands at or above the wrist;

27 (D) injury to the spine that results in a total,

1 permanent, and complete paralysis of both arms, both legs, or one
2 arm and one leg; or

3 (E) an externally caused physical traumatic
4 injury to the brain rendering the member physically or mentally
5 unable to perform the member's duties as a police officer.

6 (4-b) "City" means a city subject to this article.

7 (4-c) "City contribution rate" means, for a fiscal
8 year, the rate at which a city makes contributions to the pension
9 system under Section 9(a)(1) of this article.

10 (4-d) "Classified" means any person classified by the
11 city as a police officer.

12 (5-a) "Corridor" means the range of city contribution
13 rates that are:

14 (A) equal to or greater than the minimum
15 contribution rate; and

16 (B) equal to or less than the maximum
17 contribution rate.

18 (5-b) "Corridor margin" means five percentage points.

19 (5-c) "Corridor midpoint" means the projected city
20 contribution rate specified for each fiscal year for 31 years in the
21 initial risk sharing valuation study under Section 9B of this
22 article, as may be adjusted under Section 9D or 9E of this article,
23 and in each case rounded to the nearest hundredths decimal place.

24 (10-a) "Employer normal cost rate" means the normal
25 cost rate minus the member contribution rate.

26 (10-b) "Estimated city contribution rate" means the
27 city contribution rate determined in a risk sharing valuation study

1 under Section 9A or 9B of this article in accordance with Section
2 9A(a)(3) of this article.

3 (10-c) "Fiscal year," except as provided by Section 2A
4 of this article, means a fiscal year beginning July 1 and ending
5 June 30.

6 (10-d) "Final average pay" means the pay received by a
7 member over the last 78 biweekly pay periods ending before the
8 earlier of:

9 (A) the date the member terminates employment
10 with the police department, divided by 36; or

11 (B) the date the member began participation in
12 DROP, divided by 36.

13 (11) "Former member" means a person who was once an
14 active member, eligible for benefits [~~vested~~] or not, but who
15 terminated active member status and received a refund of member
16 contributions.

17 (12-a) "Funded ratio" means the ratio of the pension
18 system's actuarial value of assets divided by the pension system's
19 actuarial accrued liability.

20 (13) "Inactive member" means a person who has
21 separated from service and is eligible to receive [~~has a vested~~
22 ~~right to~~] a service pension from the pension system but is not
23 eligible for an immediate service pension. The term does not
24 include a former member.

25 (13-a) "Legacy liability" means unfunded actuarial
26 accrued liability as of June 30, 2016, as reduced to reflect:

27 (A) changes to benefits and contributions under

1 this article as of the year 2017 effective date;

2 (B) the deposit of pension obligation bond
3 proceeds after December 30, 2017, and before December 31, 2017;

4 (C) payments by the city and earnings at the
5 assumed rate of return allocated to the legacy liability for the
6 period between July 1, 2016, and July 1, 2017; and

7 (D) in each subsequent fiscal year,
8 contributions for that year allocated to the amortization of the
9 legacy liability and adjusted by the assumed rate of return.

10 (13-b) "Level percent of payroll method" means the
11 amortization method that defines the amount of the liability layer
12 recognized each fiscal year as a level percent of pensionable
13 payroll until the amount of the liability layer remaining is
14 reduced to zero.

15 (13-c) "Liability gain layer" means a liability layer
16 that decreases the unfunded actuarial accrued liability.

17 (13-d) "Liability layer" means the unanticipated
18 change as established in each risk sharing valuation study prepared
19 under Section 9A or 9B of this article, as applicable.

20 (13-e) "Liability loss layer" means a liability layer
21 that increases the unfunded actuarial accrued liability. For
22 purposes of this article, the legacy liability is a liability loss
23 layer.

24 (13-f) "Maximum contribution rate" means the rate
25 equal to the corridor midpoint plus the corridor margin.

26 (14-a) "Minimum contribution rate" means the rate
27 equal to the corridor midpoint minus the corridor margin.

1 (14-b) "Normal cost rate" means the salary weighted
2 average of the individual normal cost rates determined for the
3 current active population plus an allowance for projected
4 administrative expenses. The allowance for projected
5 administrative expenses equals the administrative expenses divided
6 by the pensionable payroll for the previous fiscal year, provided
7 the administrative allowance may not exceed one percent of
8 pensionable payroll for the current fiscal year unless agreed to by
9 the city.

10 (14-c) "Normal retirement age" means:

11 (A) for a member hired before October 9, 2004,
12 including a member hired before October 9, 2004, who involuntarily
13 separated from service but was retroactively reinstated under an
14 arbitration, civil service, or court ruling after October 9, 2004,
15 the earlier of:

16 (i) [~~A~~] the age at which the member
17 attains 20 years of service; or

18 (ii) [~~B~~] the age at which the member first
19 attains both the age of at least 60 and at least 10 years of service;
20 or

21 (B) except as provided by Paragraph (A) of this
22 subdivision, for a member hired or rehired on or after October 9,
23 2004, the age at which the sum of the member's age in years and years
24 of service equals at least 70.

25 (15-a) "Pay," unless the context requires otherwise,
26 means wages as defined by Section 3401(a) of the code, plus any
27 amounts that are not included in gross income by reason of Sections

1 104(a)(1), 125, 132(f), 402(g)(2), 457, or 414(h)(2) of the code,
2 less any pay received for overtime work, exempt time pay, strategic
3 officer staffing program pay, motorcycle allowance, clothing
4 allowance, or mentor pay. The definition of "pay" for purposes of
5 this article may only be amended by written agreement of the board
6 and the city under Section 27 of this article.

7 (15-b) "Payoff year" means the year a liability layer
8 is fully amortized under the amortization period. A payoff year may
9 not be extended or accelerated for a period that is less than one
10 month.

11 (16-a) "Pension obligation bond" means a bond issued
12 in accordance with Chapter 107, Local Government Code.

13 (16-b) "Pensionable payroll" means the combined
14 salaries paid to all members during an applicable fiscal year.

15 (17) "Pension system" or "system," unless the context
16 requires otherwise, means the retirement and disability plan for
17 employees of any police department subject to this article.

18 (17-a) "Police department" means one or more law
19 enforcement agencies designated as a police department by a city.

20 (17-b) "Price inflation assumption" means:

21 (A) the most recent headline consumer price index
22 10-year forecast published in the Federal Reserve Bank of
23 Philadelphia Survey of Professional Forecasters; or

24 (B) if the forecast described by Paragraph (A) of
25 this subdivision is not available, another standard as determined
26 by mutual agreement between the city and the board entered into
27 under Section 27 of this article.

1 (17-c) "Projected pensionable payroll" means the
2 estimated pensionable payroll for the fiscal year beginning 12
3 months after the date of the risk sharing valuation study prepared
4 under Section 9A or 9B of this article, as applicable, at the time
5 of calculation by:

6 (A) projecting the prior fiscal year's
7 pensionable payroll projected forward two years by using the
8 current payroll growth rate assumptions; and

9 (B) adjusting, if necessary, for changes in
10 population or other known factors, provided those factors would
11 have a material impact on the calculation, as determined by the
12 board.

13 (17-d) "Retired member" means a member who has
14 separated from service and who is eligible to receive an immediate
15 service or disability pension under this article.

16 (17-e) "Salary" means pay provided for the classified
17 position in the police department held by the member.

18 (22) "Surviving spouse" means a person who was married
19 to an active, inactive, or retired member at the time of the
20 member's death and, in the case of a marriage or remarriage after
21 the member's retirement, [an inactive or retired member, before the
22 member's separation from service or] for a period of at least five
23 consecutive years [~~before the retired or inactive member's death~~].

24 (24) "Third quarter line rate" means the corridor
25 midpoint plus 2.5 percentage points.

26 (25) "Trustee" means a member of the board.

27 (26) "Ultimate entry age normal" means an actuarial

1 cost method under which a calculation is made to determine the
2 average uniform and constant percentage rate of contributions that,
3 if applied to the compensation of each member during the entire
4 period of the member's anticipated covered service, would be
5 required to meet the cost of all benefits payable on the member's
6 behalf based on the benefits provisions for newly hired employees.
7 For purposes of this definition, the actuarial accrued liability
8 for each member is the difference between the member's present
9 value of future benefits based on the tier of benefits that apply to
10 the member and the member's present value of future normal costs
11 determined using the normal cost rate.

12 (27) "Unfunded actuarial accrued liability" means the
13 difference between the actuarial accrued liability and the
14 actuarial value of assets. For purposes of this definition:

15 (A) "actuarial accrued liability" means the
16 portion of the actuarial present value of projected benefits
17 attributed to past periods of member service based on the cost
18 method used in the risk sharing valuation study prepared under
19 Section 9A or 9B of this article, as applicable; and

20 (B) "actuarial value of assets" means the value
21 of pension system investments as calculated using the asset
22 smoothing method used in the risk sharing valuation study prepared
23 under Section 9A or 9B of this article, as applicable.

24 (28) "Unanticipated change" means, with respect to the
25 unfunded actuarial accrued liability in each risk sharing valuation
26 study prepared under Section 9A or 9B of this article, as
27 applicable, the difference between:

1 (A) the remaining balance of all then-existing
2 liability layers as of the date of the risk sharing valuation study;
3 and

4 (B) the actual unfunded actuarial accrued
5 liability as of the date of the risk sharing valuation study.

6 (29) "Year 2017 effective date" means the date on
7 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
8 2017, took effect.

9 SECTION 2.04. Article 6243g-4, Revised Statutes, is amended
10 by adding Section 2A to read as follows:

11 Sec. 2A. FISCAL YEAR. The pension system or the city, or
12 both, may only change their respective fiscal years by entering
13 into a written agreement under Section 27 of this article to change
14 their respective fiscal years. If the pension system and city enter
15 into an agreement described by this section, the parties shall, in
16 the agreement, adjust the provisions of Sections 9 through 9E of
17 this article to reflect that change.

18 SECTION 2.05. Section 3(b), Article 6243g-4, Revised
19 Statutes, is amended to read as follows:

20 (b) The board is composed of seven members as follows:

21 (1) the administrative head of the city or the
22 administrative head's authorized representative;

23 (2) three employees of the police department having
24 membership in the pension system, elected by the active, inactive,
25 and retired members of the pension system;

26 (3) two retired members who are receiving pensions
27 from the system and are not officers or employees of the city,

1 elected by the active, inactive, and retired members of the pension
2 system; and

3 (4) the director of finance [~~treasurer~~] of the city or
4 the person discharging the duties of the director of finance, or the
5 director's or other person's designee [~~city treasurer~~].

6 SECTION 2.06. Section 3, Article 6243g-4, Revised Statutes,
7 is amended by adding Subsections (i) and (j) to read as follows:

8 (i) If a candidate for either an active or retired board
9 member position does not receive a majority vote for that position,
10 a runoff election for that position shall be held. The board shall
11 establish a policy for general and runoff elections for purposes of
12 this subsection.

13 (j) The terms of office for board members in the phase-down
14 program A or B shall be one year. A board member who subsequently
15 enters phase-down program A or B and has served at least one year of
16 the member's current term shall vacate the member's seat and may run
17 for reelection.

18 SECTION 2.07. Section 4, Article 6243g-4, Revised Statutes,
19 is amended to read as follows:

20 Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) The city
21 shall allow active members who are trustees to promptly attend all
22 pension board and committee meetings. The city shall allow
23 trustees the time required to travel to and attend educational
24 workshops and legislative hearings and to attend to other pension
25 system business, including meetings regarding proposed amendments
26 to this article, if attendance is consistent with a trustee's duty
27 to the pension board [~~Elected members of the board who are employees~~

1 ~~of the city's police department are entitled to leave from their~~
2 ~~employer to attend to the official business of the pension system~~
3 ~~and are not required to report to the city or any other governmental~~
4 ~~entity regarding travel or the official business of the pension~~
5 ~~system, except when on city business].~~

6 (b) ~~[If the city employing an elected board member would~~
7 ~~withhold any portion of the salary of the member who is attending to~~
8 ~~official business of the pension system, the pension system may~~
9 ~~elect to adequately compensate the city for the loss of service of~~
10 ~~the member. If the board, by an affirmative vote of at least four~~
11 ~~board members, makes this election, the amounts shall be remitted~~
12 ~~from the fund to the city, and the city shall pay the board member's~~
13 ~~salary as if no loss of service had occurred.~~

14 ~~[(c)]~~ The board, by an affirmative vote of at least four board
15 members, may elect to reimburse board members who are not employees
16 of the city for their time while attending to official business of
17 the pension system. The amount of any reimbursement may not exceed
18 \$750 ~~[\$350]~~ a month for each affected board member.

19 SECTION 2.08. Article 6243g-4, Revised Statutes, is amended
20 by adding Sections 5A and 5B to read as follows:

21 Sec. 5A. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
22 hired by the city for purposes of this article must be an actuary
23 from a professional service firm who:

24 (1) is not already engaged by the pension system or any
25 other fund or pension system authorized under Article 6243e.2(1),
26 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th
27 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas

1 Civil Statutes), to provide actuarial services to the pension
2 system or other fund or pension system, as applicable;

3 (2) has a minimum of 10 years of professional
4 actuarial experience; and

5 (3) is a member of the American Academy of Actuaries or
6 a fellow of the Society of Actuaries and meets the applicable
7 requirements to issue statements of actuarial opinion.

8 (b) Notwithstanding Subsection (a) of this section, the
9 city actuary does not need to meet any greater qualifications than
10 those required of the pension system actuary.

11 Sec. 5B. LIABILITY OF CERTAIN PERSONS. (a) The trustees,
12 executive director, and employees of the pension system are fully
13 protected from and free of liability for any action taken or
14 suffered by them in connection with the provisions of this article
15 that were performed in good faith and in reliance on an actuary,
16 accountant, counsel, or other professional service provider, or in
17 reliance on records provided by the city.

18 (b) The officers and employees of the city are fully
19 protected and free of liability for any action taken or suffered by
20 the officer or employee, as applicable, in good faith and on
21 reliance on an actuary, accountant, counsel, or other professional
22 service provider.

23 (c) The protection from liability provided by this section
24 is cumulative of and in addition to any other constitutional,
25 statutory, or common law official or governmental immunity,
26 defense, and civil or procedural protection provided to the city or
27 pension system as a governmental entity and to a city or pension

1 system official or employee as an official or employee of a
2 governmental entity. Except for a waiver expressly provided by
3 this article, this article does not grant an implied waiver of any
4 immunity.

5 SECTION 2.09. Section 6, Article 6243g-4, Revised Statutes,
6 is amended by amending Subsections (f) and (g) and adding
7 Subsections (f-1), (i), and (j) to read as follows:

8 (f) The board has full discretion and authority to:

9 (1) administer the pension system;

10 (2) [, to] construe and interpret this article and any
11 summary plan descriptions or benefits procedures;

12 (3) subject to Section 9F of this article, correct any
13 defect, supply any omission, and reconcile any inconsistency that
14 appears in this article; [] and

15 (4) take [to do] all other acts necessary to carry out
16 the purpose of this article in a manner and to the extent that the
17 board considers expedient to administer this article for the
18 greatest benefit of all members.

19 (f-1) Except as provided by Section 9F of this article, all
20 [All] decisions of the board under Subsection (f) of this section
21 are final and binding on all affected parties.

22 (g) The board, if reasonably necessary in the course of
23 performing a board function, may issue process or subpoena a
24 witness or the production of a book, record, or other document as to
25 any matter affecting retirement, disability, or death benefits
26 under any pension plan provided by the pension system. The
27 presiding officer of the board may issue, in the name of the board,

1 a subpoena only if a majority of the board approves. The presiding
2 officer of the board, or the presiding officer's designee, shall
3 administer an oath to each witness. A peace officer shall serve a
4 subpoena issued by the board. If the person to whom a subpoena is
5 directed fails to comply, the board may bring suit to enforce the
6 subpoena in a district court of the county in which the person
7 resides or in the county in which the book, record, or other
8 document is located. If the district court finds that good cause
9 exists for issuance of the subpoena, the court shall order
10 compliance. The district court may modify the requirements of a
11 subpoena that the court finds are unreasonable. Failure to obey the
12 order of the district court is punishable as contempt.

13 (i) If the board or its designee determines that any person
14 to whom a payment under this article is due is a minor or is unable
15 to care for the person's affairs because of a physical or mental
16 disability, and if the board or its designee, as applicable,
17 determines the person does not have a guardian or other legal
18 representative and that the estate of the person is insufficient to
19 justify the expense of establishing a guardianship, or continuing a
20 guardianship after letters of guardianship have expired, then until
21 current letters of guardianship are filed with the pension system,
22 the board or its designee, as applicable, may make the payment:

23 (1) to the spouse of the person, as trustee for the
24 person;

25 (2) to an individual or entity actually providing for
26 the needs of and caring for the person, as trustee for the person;

27 or

1 (3) to a public agency or private charitable
2 organization providing assistance or services to the aged or
3 incapacitated that agrees to accept and manage the payment for the
4 benefit of the person as a trustee.

5 (j) The board or its designee is not responsible for
6 overseeing how a person to whom payment is made under Subsection (i)
7 of this section uses or otherwise applies the payments. Payments
8 made under Subsection (i) of this section constitute a complete
9 discharge of the pension system's liability and obligation to the
10 person on behalf of whom payment is made.

11 SECTION 2.10. Section 8(a), Article 6243g-4, Revised
12 Statutes, is amended to read as follows:

13 (a) Subject to adjustments authorized by Section 9D or 9E of
14 this article, each [~~Each~~] active member of the pension system shall
15 pay into the system each month 10.5 [~~8-3/4~~] percent of the member's
16 [~~total direct~~] pay. The payments shall be deducted by the city from
17 the salary of each active member each payroll period and paid to the
18 pension system. Except for the repayment of withdrawn
19 contributions under Section 17(f) [~~or 18(c)(3)~~] of this article and
20 rollovers permitted by Section 17(h) of this article, a person may
21 not be required or permitted to make any payments into the pension
22 system after the person separates from service.

23 SECTION 2.11. Section 9, Article 6243g-4, Revised Statutes,
24 is amended to read as follows:

25 Sec. 9. CONTRIBUTIONS BY THE CITY. (a) Beginning with the
26 year 2017 effective date, the city shall make contributions to the
27 pension system for deposit into the fund as provided by this section

1 and Section 9B, 9D, or 9E of this article, as applicable. The city
2 shall contribute:

3 (1) except by written agreement between the city and
4 the board under Section 27 of this article providing for an earlier
5 contribution date, beginning with the year 2017 effective date and
6 ending with the fiscal year ending June 30, 2018, an amount, as
7 determined in the initial risk sharing valuation study conducted
8 under Section 9B of this article, equal to the city contribution
9 rate multiplied by the pensionable payroll for the fiscal year; and

10 (2) for each fiscal year after the fiscal year ending
11 June 30, 2018, an amount, as determined in accordance with the
12 subsequent risk sharing valuation study conducted under Section 9A
13 of this article, equal to the city contribution rate multiplied by
14 the pensionable payroll for the applicable fiscal year.

15 (b) At least biweekly, the city shall make the contributions
16 required by Subsection (a) of this section by depositing with the
17 pension system an amount equal to the city contribution rate
18 multiplied by the pensionable payroll for the biweekly period.

19 (c) Subject to Section 9D or 9E of this article, the city
20 contribution rate:

21 (1) except as provided by Subdivision (2) of this
22 subsection, is a percent that equals the sum of the employer normal
23 cost rate and the amortization rate for all liability layers; and

24 (2) may not exceed the maximum contribution rate or be
25 less than the minimum contribution rate [~~The city shall make~~
26 ~~substantially equal contributions to the fund as soon as~~
27 ~~administratively feasible after each payroll period. For each~~

1 ~~fiscal year ending after June 30, 2005, the city's minimum~~
2 ~~contribution shall be the greater of 16 percent of the members'~~
3 ~~total direct pay or the level percentage of salary payment required~~
4 ~~to amortize the unfunded actuarial liability over a constant period~~
5 ~~of 30 years computed on the basis of an acceptable actuarial reserve~~
6 ~~funding method approved by the board. However, for the fiscal year~~
7 ~~ending June 30, 2002, the city's contribution shall be \$32,645,000,~~
8 ~~for the fiscal year ending June 30, 2003, the city's contribution~~
9 ~~shall be \$34,645,000, for the fiscal year ending June 30, 2004, the~~
10 ~~city's contribution shall be \$36,645,000, and for the fiscal year~~
11 ~~ending June 30, 2005, the city's contribution shall be 16 percent of~~
12 ~~the members' total direct pay].~~

13 (d) In addition to the amounts required under this section,
14 the city may at any time contribute additional amounts to the
15 pension system for deposit in the pension fund by entering into a
16 written agreement with the board in accordance with Section 27 of
17 this article.

18 (e) [(e)] The governing body of a city to which this article
19 applies by ordinance or resolution may provide that the city pick up
20 active member contributions required by Section 8 of this article
21 so that the contributions of all active members of the pension
22 system qualify as picked-up contributions under Section 414(h)(2)
23 of the code. If the governing body of a city adopts an ordinance or
24 resolution under this section, the city, the board, and any other
25 necessary party shall implement the action as soon as practicable.
26 Contributions picked up as provided by this subsection shall be
27 included in the determination of an active member's [~~total direct~~]

1 pay, deposited to the individual account of the active member on
2 whose behalf they are made, and treated for all purposes, other than
3 federal tax purposes, in the same manner and with like effect as if
4 they had been deducted from the salary of, and made by, the active
5 member.

6 (f) Contributions made under this section by the city to the
7 pension system shall only be credited against any amortization
8 schedule of payments due to the pension system under this article.

9 (g) Subsection (f) of this section does not affect changes
10 to an amortization schedule of a liability layer under Section
11 9A(a)(4)(F), 9B(i), or 9D(c)(4) of this article.

12 SECTION 2.12. Article 6243g-4, Revised Statutes, is amended
13 by adding Sections 9A, 9B, 9C, 9D, 9E, and 9F to read as follows:

14 Sec. 9A. RISK SHARING VALUATION STUDIES. (a) The pension
15 system and the city shall prepare a risk sharing valuation study in
16 accordance with this section. A risk sharing valuation study must:

17 (1) be included in the pension system's standard
18 valuation study prepared annually by the pension system;

19 (2) calculate the unfunded actuarial accrued
20 liability of the pension system consistent with actuarial standards
21 of practice and based on actuarial data or estimates of actuarial
22 data provided by the pension system actuary;

23 (3) estimate the city contribution rate by making
24 adjustments to the calculation of the rate that do not require
25 agreement between the city and the board under Section 9D or 9E of
26 this article;

27 (4) subject to Subsection (g) of this section, be

1 based on assumptions and methods determined based on the most
2 recent actuarial experience study conducted under Section 9C of
3 this article, provided the following assumptions and methods are
4 used:

5 (A) an ultimate entry age normal actuarial
6 method;

7 (B) for purposes of determining the actuarial
8 value of assets:

9 (i) except as provided by Subparagraph (ii)
10 of this paragraph and Section 9D(c)(1) or 9E(c)(1) of this article,
11 an asset smoothing method recognizing actuarial losses and gains
12 over a five-year period applied prospectively beginning on the year
13 2017 effective date; and

14 (ii) for the initial risk sharing valuation
15 study prepared under Section 9B of this article, a marked-to-market
16 method applied as of June 30, 2016;

17 (C) closed layered amortization of liability
18 layers to ensure that the amortization period for each layer begins
19 12 months after the date of the risk sharing valuation study in
20 which the liability layer is first recognized;

21 (D) each liability layer is assigned an
22 amortization period;

23 (E) each liability loss layer amortized over a
24 period of 30 years from the first day of the fiscal year beginning
25 12 months after the date of the risk sharing valuation study in
26 which the liability loss layer is first recognized, except that the
27 legacy liability must be amortized from July 1, 2016, for a 30-year

1 period beginning July 1, 2017;

2 (F) the amortization period for each liability
3 gain layer being:

4 (i) equal to the remaining amortization
5 period on the largest remaining liability loss layer and the two
6 layers must be treated as one layer such that if the payoff year of
7 the liability loss layer is accelerated or extended, the payoff
8 year of the liability gain layer is also accelerated or extended; or

9 (ii) if there is no liability loss layer, a
10 period of 30 years from the first day of the fiscal year beginning
11 12 months after the date of the risk sharing valuation study in
12 which the liability gain layer is first recognized;

13 (G) liability layers, including the legacy
14 liability, funded according to the level percent of payroll method;

15 (H) the assumed rate of return, subject to
16 adjustment under Section 9D(c)(2) of this article or, if Section
17 9B(g) of this article applies, adjustment in accordance with a
18 written agreement entered into under Section 27 of this article;

19 (I) the price inflation assumption, which shall
20 be adjusted by plus or minus 50 basis points based on the most
21 recent actuarial experience study;

22 (J) projected salary increases and payroll
23 growth rate set in consultation with the city's finance director;
24 and

25 (K) payroll for purposes of determining the
26 corridor midpoint and city contribution rate must be projected
27 using the annual payroll growth rate assumption; and

1 (5) be revised and restated, if appropriate, not later
2 than the 30th day after the date of a written agreement between the
3 city and the board entered into under Section 27 of this article.

4 (b) As soon as practicable after the end of a fiscal year,
5 the pension system actuary at the direction of the pension system
6 and the city actuary at the direction of the city shall separately
7 prepare a proposed risk sharing valuation study based on the fiscal
8 year that just ended.

9 (c) Not later than September 30 following the end of the
10 fiscal year, the pension system shall provide to the city actuary,
11 under a confidentiality agreement in which the city actuary agrees
12 to comply with the confidentiality provisions of Section 29 of this
13 article, the actuarial data described by Subsection (a)(2) of this
14 section.

15 (d) Not later than the 150th day after the last day of the
16 fiscal year:

17 (1) the pension system actuary, at the direction of
18 the pension system, shall provide the proposed risk sharing
19 valuation study prepared by the pension system actuary under
20 Subsection (b) of this section to the city actuary; and

21 (2) the city actuary, at the direction of the city,
22 shall provide the proposed risk sharing valuation study prepared by
23 the city actuary under Subsection (b) of this section to the pension
24 system actuary.

25 (e) Each actuary described by Subsection (d) of this section
26 may provide copies of the proposed risk sharing valuation studies
27 to the city or to the pension system, as appropriate.

1 (f) If, after exchanging proposed risk sharing valuation
2 studies under Subsection (d) of this section, it is found that the
3 difference between the projected city contribution rate in the
4 proposed risk sharing valuation study prepared by the pension
5 system actuary and the projected city contribution rate in the risk
6 sharing valuation study prepared by the city actuary for the
7 corresponding fiscal year is:

8 (1) less than or equal to two percentage points, the
9 city contribution rate proposed by the pension system actuary will
10 be used, and the risk sharing valuation study prepared by the
11 pension system is considered to be the final risk sharing valuation
12 study for the fiscal year for the purposes of this article; or

13 (2) greater than two percentage points, the city
14 actuary and the pension system actuary shall have 20 business days
15 to reconcile the difference, provided that without the mutual
16 agreement of both actuaries, the difference in the city
17 contribution rate calculated by the city actuary and the city
18 contribution rate calculated by the pension system actuary may not
19 be further increased and:

20 (A) if, as a result of reconciliation efforts
21 under this subdivision, the difference is reduced to less than or
22 equal to two percentage points:

23 (i) the city contribution rate proposed
24 under the reconciliation by the pension system actuary will be
25 used; and

26 (ii) the pension system's risk sharing
27 valuation study is considered to be the final risk sharing

1 valuation study for the fiscal year for the purposes of this
2 article; or

3 (B) if, after 20 business days, the pension
4 system actuary and the city actuary are not able to reach a
5 reconciliation that reduces the difference to an amount less than
6 or equal to two percentage points:

7 (i) the city actuary at the direction of the
8 city and the pension system actuary at the direction of the pension
9 system each shall deliver to the finance director of the city and
10 the executive director of the pension system a final risk sharing
11 valuation study with any agreed-to changes, marked as the final
12 risk sharing valuation study for each actuary; and

13 (ii) not later than the 90th day before the
14 first day of the next fiscal year, the finance director and the
15 executive director shall execute a joint addendum to the final risk
16 sharing valuation study received by them under Subparagraph (i) of
17 this paragraph that is a part of the final risk sharing valuation
18 study for the fiscal year for all purposes and reflects the
19 arithmetic average of the city contribution rates for the fiscal
20 year stated in the final risk sharing valuation study.

21 (g) The assumptions and methods used and the types of
22 actuarial data and financial information used to prepare the
23 initial risk sharing valuation study under Section 9B of this
24 article shall be used to prepare each subsequent risk sharing
25 valuation study under this section, unless changed based on the
26 actuarial experience study conducted under Section 9C of this
27 article.

1 (h) The actuarial data provided under Subsection (a)(2) of
2 this section may not include the identifying information of
3 individual members.

4 Sec. 9B. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
5 MIDPOINT. (a) The pension system and the city shall separately
6 prepare an initial risk sharing valuation study that is dated as of
7 July 1, 2016, in accordance with this section. An initial risk
8 sharing valuation study must:

9 (1) except as otherwise provided by this section, be
10 prepared in accordance with Section 9A of this article and, for
11 purposes of Section 9A(a)(2) of this article, be based on actuarial
12 data as of June 30, 2016; and

13 (2) project the corridor midpoint for 31 fiscal years
14 beginning with the fiscal year beginning July 1, 2017.

15 (b) If the action was not taken before the year 2017
16 effective date, as soon as practicable after the year 2017
17 effective date:

18 (1) the pension system shall provide to the city
19 actuary, under a confidentiality agreement, the actuarial data
20 needed to prepare the proposed initial risk sharing valuation
21 study;

22 (2) not later than the 30th day after the date the
23 city's actuary receives the actuarial data:

24 (A) the city actuary, at the direction of the
25 city, shall provide a proposed initial risk sharing valuation study
26 to the pension system actuary; and

27 (B) the pension system actuary, at the direction

1 of the pension system, shall provide a proposed initial risk
2 sharing valuation study to the city actuary; and

3 (3) the city actuary and the pension system actuary
4 shall adopt an initial risk sharing valuation study in accordance
5 with Subsection (c) of this section.

6 (c) If, after exchanging proposed initial risk sharing
7 valuation studies under Subsection (b)(2) of this section, it is
8 determined that the difference between the contribution rate for
9 any fiscal year in the proposed initial risk sharing valuation
10 study prepared by the pension system actuary and in the proposed
11 initial risk sharing valuation study prepared by the city actuary
12 is:

13 (1) less than or equal to two percentage points, the
14 city contribution rate for that fiscal year as determined by the
15 pension system actuary will be used; or

16 (2) greater than two percentage points, the city
17 actuary and the pension system actuary shall have 20 business days
18 to reconcile the difference and:

19 (A) if, as a result of reconciliation efforts
20 under this subdivision, the difference in any fiscal year is
21 reduced to less than or equal to two percentage points, the city
22 contribution rate as determined by the pension system actuary for
23 that fiscal year will be used; or

24 (B) if, after 20 business days, the city actuary
25 and the pension system actuary are not able to reach a
26 reconciliation that reduces the difference to an amount less than
27 or equal to two percentage points for any fiscal year:

1 (i) the city actuary at the direction of the
2 city and the pension system actuary at the direction of the pension
3 system each shall deliver to the finance director of the city and
4 the executive director of the pension system a final initial risk
5 sharing valuation study with any agreed-to changes, marked as the
6 final initial risk sharing valuation study for each actuary; and

7 (ii) the finance director and the executive
8 director shall execute a joint addendum to the final initial risk
9 sharing valuation study that is a part of each final initial risk
10 sharing valuation study for all purposes and that reflects the
11 arithmetic average of the city contribution rate for each fiscal
12 year in which the difference was greater than two percentage
13 points.

14 (d) In preparing the initial risk sharing valuation study,
15 the city actuary and pension system actuary shall:

16 (1) adjust the actuarial value of assets to be equal to
17 the current market value of assets;

18 (2) assume the issuance of planned pension obligation
19 bonds by December 31, 2017; and

20 (3) assume benefit and contribution changes
21 contemplated by this article as of the year 2017 effective date.

22 (e) If the city actuary does not prepare an initial risk
23 sharing valuation study for purposes of this section, the pension
24 system actuary's initial risk sharing valuation study will be used
25 as the final risk sharing valuation study for purposes of this
26 article unless the city did not prepare a proposed initial risk
27 sharing valuation study because the pension system actuary did not

1 provide the necessary actuarial data in a timely manner. If the
2 city did not prepare a proposed initial risk sharing valuation
3 study because the pension system actuary did not provide the
4 necessary actuarial data in a timely manner, the city actuary shall
5 have 60 days to prepare the proposed initial risk sharing valuation
6 study on receipt of the necessary information.

7 (f) If the pension system actuary does not prepare a
8 proposed initial risk sharing valuation study for purposes of this
9 section, the proposed initial risk sharing valuation study prepared
10 by the city actuary will be the final risk sharing valuation study
11 for purposes of this article.

12 (g) The city and the board may agree on a written transition
13 plan for resetting the corridor midpoint:

14 (1) if at any time the funded ratio is equal to or
15 greater than 100 percent; or

16 (2) for any fiscal year after the payoff year of the
17 legacy liability.

18 (h) If the city and the board have not entered into an
19 agreement described by Subsection (g) of this section in a given
20 fiscal year, the corridor midpoint will be the value determined in
21 the initial risk sharing valuation study prepared in accordance
22 with this section.

23 (i) If the city makes a contribution to the pension system
24 of at least \$5 million more than the amount that would be required
25 by Section 9(a) of this article, a liability gain layer with the
26 same remaining amortization period as the legacy liability is
27 created and the corridor midpoint shall be decreased by the

1 amortized amount in each fiscal year covered by the liability gain
2 layer produced divided by the projected pensionable payroll.

3 (j) If the city fails to pay to the pension system the
4 proceeds of pension obligation bonds by December 31, 2017, the risk
5 sharing valuation study prepared for the fiscal year ending June
6 30, 2019, must reflect:

7 (1) a city contribution rate adjusted to the corridor
8 midpoint for the remaining amortization period for the legacy
9 liability to account for the actual delivery date of any bond
10 proceeds or for the undelivered bond proceeds;

11 (2) credit for amounts actually paid and amortizing
12 any unpaid amounts over the remaining amortization period for the
13 legacy liability; and

14 (3) for purposes of this article, the resulting
15 corridor midpoint for each year shall be considered the corridor
16 midpoint established for that year in the initial risk sharing
17 valuation study.

18 Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
19 every four years, the pension system actuary at the direction of the
20 pension system shall conduct an actuarial experience study. The
21 actuarial experience study required by this subsection must be
22 completed not later than September 30 of the year in which the study
23 is required to be conducted.

24 (b) Except as otherwise expressly provided by Section 9A of
25 this article, actuarial assumptions and methods used in the
26 preparation of a risk sharing valuation study, other than the
27 initial risk sharing valuation study, shall be based on the results

1 of the most recent actuarial experience study.

2 (c) Not later than the 180th day before the date the board
3 may consider adopting any assumptions and methods for purposes of
4 Section 9A of this article, the pension system shall provide the
5 city actuary with a substantially final draft of the pension
6 system's actuarial experience study, including:

7 (1) all assumptions and methods recommended by the
8 pension system's actuary; and

9 (2) summaries of the reconciled actuarial data used in
10 creation of the actuarial experience study.

11 (d) Not later than the 60th day after the date the city
12 receives the final draft of the pension system's actuarial
13 experience study under Subsection (c) of this section, the city
14 actuary and pension system actuary shall confer and cooperate on
15 reconciling and producing a final actuarial experience study.
16 During the period prescribed by this subsection, the pension system
17 actuary may modify the recommended assumptions in the draft
18 actuarial experience study to reflect any changes to assumptions
19 and methods to which the pension system actuary and the city actuary
20 agree.

21 (e) At the city actuary's written request, the pension
22 system shall provide additional actuarial data used by the pension
23 system actuary to prepare the draft actuarial experience study,
24 provided that confidential data may only be provided subject to a
25 confidentiality agreement in which the city actuary agrees to
26 comply with the confidentiality provisions of Section 29 of this
27 article.

1 (f) The city actuary at the direction of the city shall
2 provide in writing to the pension system actuary and the pension
3 system:

4 (1) any assumptions and methods recommended by the
5 city actuary that differ from the assumptions and methods
6 recommended by the pension system actuary; and

7 (2) the city actuary's rationale for each method or
8 assumption the actuary recommends and determines to be consistent
9 with standards adopted by the Actuarial Standards Board.

10 (g) Not later than the 30th day after the date the pension
11 system actuary receives the city actuary's written recommended
12 assumptions and methods and rationale under Subsection (f) of this
13 section, the pension system shall provide a written response to the
14 city actuary identifying any assumption or method recommended by
15 the city actuary that the pension system does not accept. If any
16 assumption or method is not accepted, the pension system shall
17 recommend to the city the names of three independent actuaries for
18 purposes of this section.

19 (h) An actuary may only be recommended, selected, or engaged
20 by the pension system as an independent actuary under this section
21 if the person:

22 (1) is not already engaged by the city, the pension
23 system, or any other fund or pension system authorized under
24 Article 6243e.2(1), Revised Statutes, or Chapter 88 (H.B. 1573),
25 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
26 Vernon's Texas Civil Statutes), to provide actuarial services to
27 the city, the pension system, or another fund or pension system;

1 (2) is a member of the American Academy of Actuaries;

2 and

3 (3) has at least five years of experience as an actuary
4 working with one or more public retirement systems with assets in
5 excess of \$1 billion.

6 (i) Not later than the 20th day after the date the city
7 receives the list of three independent actuaries under Subsection
8 (g) of this section, the city shall identify and the pension system
9 shall hire one of the listed independent actuaries on terms
10 acceptable to the city and the pension system to perform a scope of
11 work acceptable to the city and the pension system. The city and
12 the pension system each shall pay 50 percent of the cost of the
13 independent actuary engaged under this subsection. The city shall
14 be provided the opportunity to participate in any communications
15 between the independent actuary and the pension system concerning
16 the engagement, engagement terms, or performance of the terms of
17 the engagement.

18 (j) The independent actuary engaged under Subsection (i) of
19 this section shall receive on request from the city or the pension
20 system:

21 (1) the pension system's draft actuarial experience
22 study, including all assumptions and methods recommended by the
23 pension system actuary;

24 (2) summaries of the reconciled actuarial data used to
25 prepare the draft actuarial experience study;

26 (3) the city actuary's specific recommended
27 assumptions and methods together with the city actuary's written

1 rationale for each recommendation;

2 (4) the pension system actuary's written rationale for
3 its recommendations; and

4 (5) if requested by the independent actuary and
5 subject to a confidentiality agreement in which the independent
6 actuary agrees to comply with the confidentiality provisions of
7 this article, additional confidential actuarial data.

8 (k) Not later than the 30th day after the date the
9 independent actuary receives all the requested information under
10 Subsection (j) of this section, the independent actuary shall
11 advise the pension system and the city whether it agrees with the
12 assumption or method recommended by the city actuary or the
13 corresponding method or assumption recommended by the pension
14 system actuary, together with the independent actuary's rationale
15 for making the determination. During the period prescribed by this
16 subsection, the independent actuary may discuss recommendations in
17 simultaneous consultation with the pension system actuary and the
18 city actuary.

19 (l) The pension system and the city may not seek any
20 information from any prospective independent actuary about
21 possible outcomes of the independent actuary's review.

22 (m) If an independent actuary has questions or concerns
23 regarding an engagement entered into under this section, the
24 independent actuary shall simultaneously consult with both the city
25 actuary and the pension system actuary regarding the questions or
26 concerns. This subsection does not limit the pension system's
27 authorization to take appropriate steps to complete the engagement

1 of the independent actuary on terms acceptable to both the pension
2 system and the city or to enter into a confidentiality agreement
3 with the independent actuary, if needed.

4 (n) If the board does not adopt an assumption or method
5 recommended by the city or pension system actuary and to which the
6 independent actuary agrees, the city actuary is authorized to use
7 that recommended assumption or method in connection with
8 preparation of a risk sharing valuation study under Section 9A of
9 this article until the next actuarial experience study is
10 conducted.

11 Sec. 9D. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
12 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
13 CERTAIN ADJUSTMENTS. (a) This section governs the determination
14 of the city contribution rate applicable in a fiscal year if the
15 estimated city contribution rate under a risk sharing valuation
16 study prepared under Section 9A or 9B of this article, as
17 applicable, is lower than the corridor midpoint.

18 (b) If the funded ratio is:

19 (1) less than 90 percent and the proposed city
20 contribution rate is equal to or greater than the minimum
21 contribution rate, the city contribution rate for the fiscal year
22 equals the corridor midpoint; or

23 (2) equal to or greater than 90 percent and the city
24 contribution rate is:

25 (A) equal to or greater than the minimum
26 contribution rate, the estimated city contribution rate is the city
27 contribution rate for the fiscal year; or

1 (B) except as provided by Subsection (d) or (e)
2 of this section, less than the minimum contribution rate for the
3 corresponding fiscal year, the city contribution rate for the
4 fiscal year equals the minimum contribution rate achieved in
5 accordance with Subsection (c) of this section.

6 (c) For purposes of Subsection (b)(2)(B) of this section,
7 the following adjustments shall be applied sequentially to the
8 extent required to increase the estimated city contribution rate to
9 equal the minimum contribution rate:

10 (1) first, adjust the actuarial value of assets equal
11 to the current market value of assets, if making the adjustment
12 causes the city contribution rate to increase;

13 (2) second, under a written agreement between the city
14 and the board entered into under Section 27 of this article not
15 later than April 30 before the first day of the next fiscal year,
16 reduce the assumed rate of return;

17 (3) third, under a written agreement between the city
18 and the board entered into under Section 27 of this article no later
19 than April 30 before the first day of the next fiscal year,
20 prospectively restore all or part of any benefit reductions or
21 reduce increased employee contributions, in each case made after
22 the year 2017 effective date; and

23 (4) fourth, accelerate the payoff year of the existing
24 liability loss layers, including the legacy liability, by
25 accelerating the oldest liability loss layers first, to an
26 amortization period that is not less than 10 years from the first
27 day of the fiscal year beginning 12 months after the date of the

1 risk sharing valuation study in which the liability loss layer is
2 first recognized.

3 (d) If the funded ratio is:

4 (1) equal to or greater than 100 percent:

5 (A) all existing liability layers, including the
6 legacy liability, are considered fully amortized and paid;

7 (B) the applicable fiscal year is the payoff year
8 for the legacy liability; and

9 (C) for each fiscal year subsequent to the fiscal
10 year described by Paragraph (B) of this subdivision, the corridor
11 midpoint shall be determined as provided by Section 9B(g) of this
12 article; and

13 (2) greater than 100 percent in a written agreement
14 between the city and the pension system under Section 27 of this
15 article, the pension system may reduce member contributions or
16 increase pension benefits if, as a result of the action:

17 (A) the funded ratio is not less than 90 percent;
18 and

19 (B) the city contribution rate is not more than
20 the minimum contribution rate.

21 (e) Except as provided by Subsection (f) of this section, if
22 an agreement under Subsection (d) of this section is not reached on
23 or before April 30 before the first day of the next fiscal year,
24 before the first day of the next fiscal year the board shall reduce
25 member contributions and implement or increase cost of living
26 adjustments, but only to the extent that the city contribution rate
27 is set at or below the minimum contribution rate and the funded

1 ratio is not less than 90 percent.

2 (f) If any member contribution reduction or benefit
3 increase has occurred within the previous three fiscal years, the
4 board may not make additional adjustments to benefits, and the city
5 contribution rate must be set to equal the minimum contribution
6 rate.

7 Sec. 9E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
8 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;
9 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
10 the determination of the city contribution rate in a fiscal year
11 when the estimated city contribution rate under a risk sharing
12 valuation study prepared under Section 9A or 9B of this article, as
13 applicable, is equal to or greater than the corridor midpoint.

14 (b) If the estimated city contribution rate is:

15 (1) less than or equal to the maximum contribution
16 rate for the corresponding fiscal year, the estimated city
17 contribution rate is the city contribution rate; or

18 (2) except as provided by Subsection (d) or (f) of this
19 section, greater than the maximum contribution rate for the
20 corresponding fiscal year, the city contribution rate equals the
21 corridor midpoint achieved in accordance with Subsection (c) of
22 this section.

23 (c) For purposes of Subsection (b)(2) of this section, the
24 following adjustments shall be applied sequentially to the extent
25 required to decrease the estimated city contribution rate to equal
26 the corridor midpoint:

27 (1) first, if the payoff year of the legacy liability

1 was accelerated under Section 9D(c) of this article, extend the
2 payoff year of existing liability loss layers, by extending the
3 most recent loss layers first, to a payoff year not later than 30
4 years from the first day of the fiscal year beginning 12 months
5 after the date of the risk sharing valuation study in which the
6 liability loss layer is first recognized; and

7 (2) second, adjust the actuarial value of assets to
8 the current market value of assets, if making the adjustment causes
9 the city contribution rate to decrease.

10 (d) If the city contribution rate after adjustment under
11 Subsection (c) of this section is greater than the third quarter
12 line rate:

13 (1) the city contribution rate equals the third
14 quarter line rate; and

15 (2) to the extent necessary to comply with Subdivision
16 (1) of this subsection, the city and the board shall enter into a
17 written agreement under Section 27 of this article to increase
18 member contributions and make other benefits or plan changes not
19 otherwise prohibited by applicable federal law or regulations.

20 (e) Gains resulting from adjustments made as the result of a
21 written agreement between the city and the board under Subsection
22 (d)(2) of this section must be applied to the city contribution rate
23 and not to the legacy liability.

24 (f) If an agreement under Subsection (d)(2) of this section
25 is not reached on or before April 30 before the first day of the next
26 fiscal year, before the start of the next fiscal year to which the
27 city contribution rate would apply, the board, to the extent

1 necessary to set the city contribution rate equal to the third
2 quarter line rate, shall:

3 (1) increase member contributions and decrease
4 cost-of-living adjustments;

5 (2) increase the normal retirement age; or

6 (3) take all actions authorized under Subdivisions (1)
7 and (2) of this subsection.

8 (g) If the city contribution rate remains greater than the
9 corridor midpoint in the third fiscal year after adjustments are
10 made in accordance with Subsection (d)(2) of this section, in that
11 fiscal year the city contribution rate equals the corridor midpoint
12 achieved in accordance with Subsection (h) of this section.

13 (h) The city contribution rate must be set at the corridor
14 midpoint under Subsection (g) of this section by:

15 (1) in the risk sharing valuation study for the third
16 fiscal year described by Subsection (g) of this section, adjusting
17 the actuarial value of assets to equal the current market value of
18 assets, if making the adjustment causes the city contribution rate
19 to decrease; and

20 (2) under a written agreement entered into between the
21 city and the board under Section 27 of this article:

22 (A) increasing member contributions; and

23 (B) making any other benefits or plan changes not
24 otherwise prohibited by applicable federal law or regulations.

25 (i) If an agreement under Subsection (h)(2) of this section
26 is not reached on or before April 30 before the first day of the next
27 fiscal year, before the start of the next fiscal year, the board, to

1 the extent necessary to set the city contribution rate equal to the
2 corridor midpoint, shall:

3 (1) increase member contributions and decrease
4 cost-of-living adjustments;

5 (2) increase the normal retirement age; or

6 (3) take all actions authorized under Subdivisions (1)
7 and (2) of this subsection.

8 Sec. 9F. UNILATERAL ACTION PROHIBITED. (a)

9 Notwithstanding Sections 6(f) or 5B of this article, the pension
10 board may not change, terminate, or modify Sections 9 through 9E of
11 this article.

12 (b) No unilateral decision or action by the board is binding
13 on the city and no unilateral action by the city is binding on the
14 pension system with respect to the application of Sections 9
15 through 9E of this article unless expressly provided by a provision
16 of those sections. Nothing in this subsection is intended to limit
17 the powers or authority of the board.

18 SECTION 2.13. Article 6243g-4, Revised Statutes, is amended
19 by adding Section 10A to read as follows:

20 Sec. 10A. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT

21 CONSULTANT. (a) At least once every three years, the board shall
22 hire an independent investment consultant, including an
23 independent investment consulting firm, to conduct a review of
24 pension system investments and submit a report to the board and the
25 city concerning that review. The independent investment
26 consultant shall review and report on at least the following:

27 (1) the pension system's compliance with its

1 investment policy statement, ethics policies, including policies
2 concerning the acceptance of gifts, and policies concerning insider
3 trading;

4 (2) the pension system's asset allocation, including a
5 review and discussion of the various risks, objectives, and
6 expected future cash flows;

7 (3) the pension system's portfolio structure,
8 including the system's need for liquidity, cash income, liquid
9 returns, and inflation protection and the active, passive, or index
10 approaches used for different portions of the portfolio;

11 (4) investment manager or advisor performance reviews
12 and an evaluation of the processes used to select and evaluate
13 managers;

14 (5) benchmarks used for each asset class and
15 individual manager;

16 (6) evaluation of fees and trading costs;

17 (7) evaluation of investments in any leverage, foreign
18 exchange, or other hedging transaction; and

19 (8) an evaluation of investment-related disclosures
20 in the pension system's annual reports or valuations.

21 (b) When the board retains an independent investment
22 consultant under this section, the pension system may require the
23 consultant to agree in writing to maintain the confidentiality of:

24 (1) information provided to the consultant that is
25 reasonably necessary to conduct a review under this section; and

26 (2) any nonpublic information provided for the pension
27 system for the audit.

1 (c) The costs for the investment report required by this
2 section must be paid from the fund.

3 SECTION 2.14. Sections 11(a) and (c), Article 6243g-4,
4 Revised Statutes, are amended to read as follows:

5 (a) A member who returns to service after an interruption in
6 service is eligible for [~~entitled to~~] credit for the previous
7 service to the extent provided by Section 17 or 19 of this article.

8 (c) A member may not have any service credited for unused
9 sick leave, vacation pay, [~~or~~] accumulated overtime, or equivalent
10 types of pay until the date the member retires, at which time the
11 member may apply some or all of the service to satisfy the
12 requirements for retirement, although the member otherwise could
13 not meet the service requirement without the credit.

14 SECTION 2.15. Section 12, Article 6243g-4, Revised
15 Statutes, is amended by amending Subsections (a), (b), (c), (d),
16 (e), (h), and (i) and adding Subsections (b-1), (b-2), (b-3),
17 (c-1), (c-2), (j), (k), (l), and (m) to read as follows:

18 (a) A member who separates from service after attaining
19 normal retirement age [~~earning 20 or more years of service~~] is
20 eligible to receive a monthly service pension, beginning in the
21 month of separation from service. A member who separates from
22 service as a classified police officer with the city after November
23 23, 1998, after earning 10 or more but less than 20 years of service
24 in [~~any of~~] the [~~city's~~] pension system [~~systems~~] and who complies
25 with all applicable requirements of Section 19 of this article is
26 eligible to receive a monthly service pension, beginning in the
27 month the individual attains 60 years of age. An individual may not

1 receive a pension under this article while still an active member [~~7~~
2 ~~except as provided by Subsection (f) of this section~~]. All service
3 pensions end with the month in which the retired member dies. The
4 city shall supply all personnel, financial, and payroll records
5 necessary to establish the member's eligibility for a benefit, the
6 member's credited service, and the amount of the benefit. The city
7 must provide those records in the format specified by the pension
8 system.

9 (b) Except as otherwise provided by this section, including
10 Subsection (b-3) of this section, the monthly service pension of a
11 member who:

12 (1) is hired before October 9, 2004, including a
13 member hired before October 9, 2004, who involuntarily separated
14 from service but has been retroactively reinstated under
15 arbitration, civil service, or a court ruling, [~~that becomes due~~
16 after May 1, 2001,] is equal to the sum of:

17 (A) 2.75 percent of the member's final average
18 [~~total direct~~] pay multiplied by the member's years or partial
19 years of service [~~or, if the member retired before November 24,~~
20 1998, 2.75 percent of the member's base salary,] for [~~each of~~] the
21 member's first 20 years of service; and

22 (B) [~~plus an additional~~] two percent of the
23 member's final average [~~total direct~~] pay multiplied by the
24 member's years or partial years of service for the member's years of
25 service in excess of the 20 years of service described by Paragraph
26 (A) of this subdivision; or

27 (2) except as provided by Subdivision (1) of this

1 subsection, is hired or rehired as an active member on or after
2 October 9, 2004, is equal to the sum of:

3 (A) 2.25 percent of the member's final average
4 pay multiplied by the member's years or partial years of service for
5 the member's first 20 years of service; and

6 (B) two percent of the member's final average pay
7 multiplied by the member's years or partial years of service in
8 excess of 20 years of service described by Paragraph (A) of this
9 subdivision [~~for each of the member's subsequent years of service,~~
10 ~~computed to the nearest one-twelfth of a year].~~

11 (b-1) A member who [~~separates from service after November~~
12 ~~23, 1998, including a member who was a DROP participant, and]~~ begins
13 to receive a monthly service pension under Subsection (b)(1) of
14 this section shall also receive a one-time lump-sum payment of
15 \$5,000 at the same time the first monthly pension payment is made.
16 The lump-sum payment under this subsection is not available to a
17 member who has previously received a \$5,000 payment under this
18 section or Section 16 of this article. A member described by
19 Subsection (b)(2) of this section may not receive the lump-sum
20 payment described by this subsection.

21 (b-2) For purposes of Subsections (b) and (b-1) of this
22 section, partial years shall be computed to the nearest one-twelfth
23 of a year.

24 (b-3) A member's monthly service pension may not exceed 80
25 percent of the member's final average pay.

26 (c) Subject to Subsection (c-2) of this section, beginning
27 with the fiscal year ending June 30, 2021, the [~~The~~] pension payable

1 to a ~~[each]~~ retired member or survivor who is 55 years of age or
2 older as of April 1 of the applicable fiscal year, a member or
3 survivor who received benefits or survivor benefits before June 8,
4 1995, or a survivor of an active member who dies from a cause
5 connected with the performance of the member's duties ~~[of the~~
6 ~~pension system]~~ shall be adjusted annually, effective April 1 of
7 each year, upward at a rate equal to the most recent five fiscal
8 years' smoothed return, as determined by the pension system
9 actuary, minus 500 basis points ~~[two-thirds of any percentage~~
10 ~~increase in the Consumer Price Index for All Urban Consumers for the~~
11 ~~preceding year. The amount of the annual adjustment may not be less~~
12 ~~than three percent or more than eight percent of the pension being~~
13 ~~paid immediately before the adjustment, notwithstanding a greater~~
14 ~~or lesser increase in the consumer price index].~~

15 (c-1) Subject to Subsection (c-2) of this section, for the
16 pension system's fiscal years ending June 30, 2018, and June 30,
17 2019, the pension payable to each retired member or survivor who is
18 70 years of age or older shall be adjusted annually, effective April
19 1 of each year, upward at a rate equal to the most recent five fiscal
20 years' smoothed return, as determined by the pension system
21 actuary, minus 500 basis points.

22 (c-2) The percentage rate prescribed by Subsections (c) and
23 (c-1) of this section may not be less than zero percent or more than
24 four percent, irrespective of the return rate of the pension
25 system's investment portfolio.

26 (d) A retired member who receives a service pension under
27 this article is eligible ~~[entitled]~~ to receive an additional amount

1 each month equal to \$150, beginning on the later of the date the
2 retired member's pension begins or the date the first monthly
3 payment becomes due after June 18, 2001, and continuing until the
4 end of the month in which the retired member dies. This amount is
5 intended to defray the retired member's group medical insurance
6 costs and will be paid directly by the fund to the retired member
7 for the retired member's lifetime.

8 (e) At the end of each calendar year beginning after 1998,
9 and subject to the conditions provided by this subsection, the
10 pension system shall make a 13th benefit payment to each member or
11 survivor who is hired or rehired before October 9, 2004, including a
12 member hired or rehired before October 9, 2004, who was reinstated
13 under arbitration, civil service, or a court ruling after that
14 date, and [person] who is receiving a service pension. The amount
15 of the 13th payment shall be the same as the last monthly payment
16 received by the retiree or survivor before issuance of the payment,
17 except the payment received by any person who has been in pay status
18 for less than 12 months shall be for a prorated amount determined by
19 dividing the amount of the last payment received by 12 and
20 multiplying this amount by the number of months the person has been
21 in pay status. The 13th payment may be made only for those calendar
22 years in which the pension system's funded ratio is 120 percent or
23 greater[+]

24 [~~(1) the assets held by the fund will equal or exceed~~
25 ~~its liabilities after the 13th payment is made,~~

26 [~~(2) the rate of return on the fund's assets exceeded~~
27 ~~9.25 percent for the last fiscal year ending before the payment, and~~

1 ~~[(3) the payment will not cause an increase in the~~
2 ~~contribution the city would have been required to make if the 13th~~
3 ~~payment had not been made].~~

4 (h) Final average ~~[Average total direct]~~ pay for a member
5 who retires after participating in a phase-down program in which
6 the member receives a periodic payment that is generated from the
7 member's accumulated sick time, vacation time, and overtime
8 balances shall be based on the final average pay the member received
9 on the earlier of the date:

10 (1) immediately preceding the date the member began
11 phase-down participation; or

12 (2) if the member began DROP participation on or after
13 the year 2017 effective date, the member began participation in
14 DROP ~~[highest pay period, excluding any pay for overtime work, in~~
15 ~~the periods during which the member worked full-time before~~
16 ~~participating in the phase-down program].~~

17 (i) The computation of final average ~~[total direct]~~ pay
18 shall be made in accordance with procedures and policies adopted by
19 the board.

20 (j) A member participating in the phase-down program,
21 defined in the 2011 labor agreement between the city and the police
22 officers' union, who has separated from service is eligible to
23 receive a monthly service pension as if the member had attained
24 normal retirement age. Notwithstanding any other law, a member
25 participating in option A or B of the phase-down program whose
26 effective date of entry into DROP is on or before the year 2017
27 effective date is, on exiting the phase-down program and separating

1 from service, eligible to receive a monthly service pension equal
2 to the amount credited to the member's DROP account under Section
3 14(d) of this article immediately before the member separated from
4 service.

5 (k) If a member is hired on or after October 9, 2004, the
6 member may elect to receive a partial lump-sum optional payment
7 equal to not more than 20 percent of the actuarial value of the
8 member's accrued pension at retirement. The lump-sum payment under
9 this subsection shall be actuarially neutral. Notwithstanding any
10 other law, if a member elects to receive a lump-sum payment under
11 this subsection, the value of the member's monthly service pension
12 shall be reduced actuarially to reflect the lump-sum payment.

13 (l) A member who is receiving workers' compensation
14 payments or who has received workers' compensation and subsequently
15 retires or begins participation in DROP will have the member's
16 pension or DROP benefit, as applicable, calculated on the pay that
17 the member would have received had the member not been receiving
18 workers' compensation benefits.

19 (m) For a member who is promoted or appointed to a position
20 above the rank of captain on or after the year 2017 effective date,
21 the member's monthly service pension and member contributions shall
22 be based on, as determined by the board:

23 (1) the member's pay for the position the member held
24 immediately before being promoted or appointed; or

25 (2) the pay of the highest civil rank for classified
26 police officers for those members who have no prior service with the
27 city, which pay must be calculated based on the three-year average

1 prior to retirement.

2 SECTION 2.16. Section 14, Article 6243g-4, Revised
3 Statutes, is amended by amending Subsections (b), (c), (d), (e),
4 (f-1), (h), (i), (k), and (l) and adding Subsections (c-1) and (c-2)
5 to read as follows:

6 (b) An active member who was hired before October 9, 2004,
7 including a member hired before October 9, 2004, who has been
8 reinstated under arbitration, civil service, or a court ruling
9 after that date, and has at least 20 years of service with the
10 police department may file with the pension system an election to
11 participate in DROP and receive a DROP benefit instead of the
12 standard form of pension provided by this article as of the date the
13 active member attained 20 years of service. The election may be
14 made, under procedures established by the board, by an eligible
15 active member who has attained the required years of service. A
16 DROP election that is made and accepted by the board may not be
17 revoked [~~before the member's separation from service~~].

18 (c) The monthly service pension or [~~and~~] death benefits of
19 an active member who is a DROP participant that were accrued under
20 this article as it existed immediately before the year 2017
21 effective date remain accrued.

22 (c-1) The monthly service pension or death benefits of an
23 active member who becomes a DROP participant on or after the year
24 2017 effective date will be determined as if the [~~active~~] member had
25 separated from service and begun receiving a pension on the
26 effective date of the member's DROP election and the [~~The active~~]
27 member does not retire but does not accrue additional service

1 credit beginning on the effective date of the member's entry into
2 DROP.

3 (c-2) For a member who exits DROP on or after the year 2017
4 effective date:

5 (1) any [~~the election, and~~] increases in the member's
6 pay that occur on or after the effective date of the member's entry
7 into DROP [~~that date~~] may not be used in computing the [~~active~~]
8 member's monthly service pension; and

9 (2) any [~~, except as provided by Subsection (1) of this~~
10 ~~section, but~~] cost-of-living adjustments that occur on or after the
11 effective date of the member's entry into DROP [~~that date~~] and that
12 otherwise would be applicable to the pension will not be made during
13 the time the member participates in DROP.

14 (d) The member's DROP benefit is determined as provided by
15 this subsection and Subsection (e) of this section. Each month an
16 amount equal to the monthly service pension the active member would
17 have been eligible [~~entitled~~] to receive if the active member had
18 separated from service on the effective date of entry into DROP,
19 less any amount that is intended to help defray the active member's
20 group medical insurance costs as described by Section 12(d) of this
21 article, shall be credited to a notional DROP account for the active
22 member [~~, and each month an amount equal to the monthly~~
23 ~~contributions the active member makes to the fund on and after the~~
24 ~~effective date of entry into DROP also shall be credited to the same~~
25 ~~notional DROP account~~]. In any year in which a 13th payment is made
26 to retired members under Section 12(e) of this article, an amount
27 equal to the amount of the 13th payment that would have been made to

1 the DROP participant if the DROP participant had retired on the date
2 of DROP entry will be credited to the DROP account.

3 (e) As of the end of each month an amount is credited to each
4 active member's notional DROP account at the rate of one-twelfth of
5 a hypothetical earnings rate on amounts in the account. The
6 hypothetical earnings rate is determined for each calendar year
7 based on the compounded average of the aggregate annual rate of
8 return on investments of the pension system for the five
9 consecutive fiscal years ending June 30 preceding the calendar year
10 to which the earnings rate applies, multiplied by 65 percent. The
11 hypothetical earnings rate may not be less than 2.5 percent [~~zero~~].

12 (f-1) If a DROP participant separates from service due to
13 death, [~~and~~] the participant's surviving spouse is eligible [~~person~~
14 ~~entitled~~] to receive benefits under Sections 16 and 16A of this
15 article and the surviving spouse may elect to receive [~~does not~~
16 ~~revoke the DROP election,~~] the DROP benefit [~~may be received~~] in the
17 form of an additional annuity over the life expectancy of the
18 surviving spouse.

19 (h) Instead of beginning to receive a service pension on
20 separation from service in accordance with Section 12 of this
21 article, a retired member who is a DROP participant may elect to
22 have part or all of the amount that would otherwise be paid as a
23 monthly service pension, less any amount required to pay the
24 retired member's share of group medical insurance costs, credited
25 to a DROP account, in which case the additional amounts will become
26 eligible to be credited with hypothetical earnings in the same
27 manner as the amounts described by Subsection (g) of this section.

1 On and after the year 2017 effective date, additional amounts may
2 not be credited to a DROP account under this subsection. Any
3 amounts credited under this subsection before the year 2017
4 effective date shall remain accrued in a retired member's DROP
5 account.

6 (i) A retired member who has not attained age 70-1/2,
7 whether or not a DROP participant before retirement, may elect to
8 have part or all of an amount equal to the monthly service pension
9 the retired member would otherwise be entitled to receive, less any
10 amount required to pay the retired member's share of group medical
11 insurance costs, credited to a DROP account, in which case the
12 amounts will become eligible to be credited with hypothetical
13 earnings in the same manner as the amounts described by Subsection
14 (g) of this section. On and after the year 2017 effective date,
15 additional amounts may not be credited to a DROP account under this
16 subsection. Any amounts credited under this subsection before the
17 year 2017 effective date shall remain accrued in a retired member's
18 DROP account [~~A retired member who has elected to have monthly
19 service pension benefits credited to a DROP account under this
20 subsection or Subsection (h) of this section may direct that the
21 credits stop and the monthly service pension resume at any time.
22 However, a retired member who stops the credits at any time after
23 September 1, 1999, may not later resume the credits].~~

24 (k) If a retired member who is [~~or was~~] a DROP participant is
25 rehired as an employee of the police department, any pension or DROP
26 distribution that was being paid shall be suspended and the monthly
27 amount described by Subsection (d) of this section will again begin

1 to be credited to the DROP account while the member continues to be
2 an employee. If the member's DROP account has been completely
3 distributed, a new notional account may not [~~will~~] be created and
4 the monthly amount described by Subsection (d) of this section may
5 not be credited to a DROP account on behalf of the member [~~to~~
6 ~~receive the member's monthly credits. If a retired member who was~~
7 ~~never a DROP participant is rehired as an employee of the police~~
8 ~~department, that member shall be eligible to elect participation in~~
9 ~~DROP on the same basis as any other member]~~.

10 (1) The maximum number of years an active member may
11 participate in DROP is 20 years. Except as provided by this
12 subsection, after the DROP participant has reached the maximum
13 number of years of DROP participation prescribed by this
14 subsection, including DROP participants with 20 years or more in
15 DROP on or before the year 2017 effective date, the DROP participant
16 may not receive the monthly service pension that was credited to a
17 notional DROP account but may receive the hypothetical earnings
18 rate stated in Subsection (e) of this section. Notwithstanding the
19 preceding, a member's DROP account balance before the year 2017
20 effective date may not be reduced under the preceding provisions of
21 this subsection [~~The DROP account of each DROP participant who was~~
22 ~~an active member on May 1, 2001, shall be recomputed and adjusted,~~
23 ~~effective on that date, to reflect the amount that would have been~~
24 ~~credited to the account if the member's pension had been computed~~
25 ~~based on 2.75 percent of the member's average total direct pay, or~~
26 ~~base pay if applicable, for each of the member's first 20 years of~~
27 ~~service. The DROP account adjustment shall also include the~~

1 ~~assumed earnings that would have been credited to the account if the~~
2 ~~2.75 percent multiplier for the first 20 years of service had been~~
3 ~~in effect from the time the member became a DROP participant].~~

4 SECTION 2.17. Section 15, Article 6243g-4, Revised
5 Statutes, is amended by amending Subsections (a), (b), (c), (d),
6 (e), and (i) and adding Subsections (a-1), (c-1), (l), (m), and (n)
7 to read as follows:

8 (a) An active member who becomes totally and permanently
9 incapacitated for the performance of the member's duties as a
10 result of a bodily injury received in, or illness caused by, the
11 performance of those duties shall, on presentation to the board of
12 proof of total and permanent incapacity, be retired and shall
13 receive an immediate duty-connected disability pension equal to:

14 (1) for members hired or rehired before October 9,
15 2004, the greater of 55 percent of the member's final average [~~total~~
16 ~~direct~~] pay at the time of retirement or the member's accrued
17 service pension; or

18 (2) for members hired or rehired on or after October 9,
19 2004, the greater of 45 percent of the member's:

20 (A) final average pay at the time of retirement;

21 or

22 (B) accrued service pension.

23 (a-1) If the injury or illness described by Subsection (a)
24 of this section involves a traumatic event that directly causes an
25 immediate cardiovascular condition resulting in a total
26 disability, the member is eligible for a duty-connected disability
27 pension. A disability pension granted by the board shall be paid to

1 the member for the remainder of the member's life, ~~[or for]~~ as long
2 as the incapacity remains, subject to Subsection (e) of this
3 section. If a member is a DROP participant at the commencement of
4 the member's disability, the member shall have the option of
5 receiving the DROP balance in any manner that is approved by the
6 board and that satisfies the requirements of Section 401(a)(9) of
7 the code and Treasury Regulation Section 1.104-1(b) (26 C.F.R.
8 Section 1.104-1) and is otherwise available to any other member
9 under this article.

10 (b) A member ~~[with 10 years or more of credited service]~~ who
11 becomes totally and permanently incapacitated for the performance
12 of the member's duties and is not eligible for either an immediate
13 service pension or a duty-connected disability pension is eligible
14 for an immediate monthly pension computed in the same manner as a
15 service retirement pension but based on final average ~~[total~~
16 ~~direct]~~ pay and service accrued to the date of the disability. The
17 pension under this subsection may not be less than:

18 (1) for members hired before October 9, 2004,
19 including a member who involuntarily separated from service but has
20 been retroactively reinstated under arbitration, civil service, or
21 a court ruling, 27.5 percent of the member's final average ~~[total~~
22 ~~direct]~~ pay; or

23 (2) except as provided by Subdivision (1) of this
24 subsection, for members hired or rehired on or after October 9,
25 2004, 22.5 percent of the member's final average pay.

26 (c) A member hired or rehired before October 9, 2004, who
27 becomes eligible ~~[entitled]~~ to receive a disability pension after

1 November 23, 1998, is eligible [~~entitled~~] to receive:

2 (1) subject to Subsection (c-1) of this section, a
3 one-time lump-sum payment of \$5,000 at the same time the first
4 monthly disability pension payment is made, but only if the member
5 has not previously received a \$5,000 payment under this section or
6 Section 12 of this article; and

7 (2) [~~. The retired member shall also receive~~] an
8 additional amount each month equal to \$150, beginning on the later
9 of the date the pension begins or the date the first monthly payment
10 becomes due after June 18, 2001, and continuing as long as the
11 disability pension continues, to help defray the cost of group
12 medical insurance.

13 (c-1) For any year in which a 13th payment is made to retired
14 members under Section 12(e) of this article, a 13th payment,
15 computed in the same manner and subject to the same conditions,
16 shall also be paid to members who have retired under this section.

17 (d) A person may not receive a disability pension unless the
18 person files with the board an application for a disability pension
19 not later than 180 days after the date of separation from service,
20 at which time the board shall have the person examined, not later
21 than the 90th day after the date the member files the application,
22 by a physician or physicians chosen and compensated by the board.
23 The physician shall make a report and recommendations to the board
24 regarding the extent of any disability and whether any disability
25 that is diagnosed is a duty-connected disability. Except as
26 provided by Subsection (j) of this section, a person may not receive
27 a disability pension for an injury received or illness incurred

1 after separation from service. In accordance with Section 6(g) of
2 this article, the board may, through its presiding officer, issue
3 process, administer oaths, examine witnesses, and compel witnesses
4 to testify as to any matter affecting retirement, disability, or
5 death benefits under any pension plan within the pension system.

6 (e) A retired member who has been retired for disability is
7 subject at all times to reexamination by a physician chosen and
8 compensated by the board and shall submit to further examination as
9 the board may require. If a retired member refuses to submit to an
10 examination, the board shall [~~may~~] order the payments stopped. If a
11 retired member who has been receiving a disability pension under
12 this section recovers so that in the opinion of the board the
13 retired member is able to perform the usual and customary duties
14 formerly performed for the police department, and the retired
15 member is reinstated or offered reinstatement to the position, or
16 hired by another law enforcement agency to a comparable position
17 [~~reasonably comparable in rank and responsibility to the position,~~
18 ~~held at the time of separation from service~~], the board shall order
19 the member's disability pension stopped. A member may apply for a
20 normal pension benefit, if eligible, if the member's disability
21 benefit payments are stopped by the board under this subsection.

22 (i) Effective for payments that become due after April 30,
23 2000, and instead of the disability benefit provided by Subsection
24 (a) or [~~7~~] (b) [~~7 or (h)~~] of this section, a member who suffers a
25 catastrophic injury shall receive a monthly benefit equal to 100
26 percent of the member's final average [~~total direct~~] pay determined
27 as of the date of retirement, and the member's DROP balance, if any.

1 (1) A disability pension may not be paid to a member for any
2 disability if:

3 (1) the disability resulted from an intentionally
4 self-inflicted injury or a chronic illness resulting from:

5 (A) an addiction by the member through a
6 protracted course of non-coerced ingestion of alcohol, narcotics,
7 or prescription drugs not prescribed to the member; or

8 (B) other substance abuse; or

9 (2) except as provided by Subsection (m) of this
10 section, the disability was a result of the member's commission of a
11 felony.

12 (m) The board may waive Subsection (1)(2) of this section if
13 the board determines that facts exist that mitigate denying the
14 member's application for a disability pension.

15 (n) A person who fraudulently applies for or receives a
16 disability pension may be subject to criminal and civil
17 prosecution.

18 SECTION 2.18. Section 16, Article 6243g-4, Revised
19 Statutes, is amended to read as follows:

20 Sec. 16. RIGHTS OF SURVIVORS. (a) For purposes of this
21 article, a marriage is considered to exist only if the couple is
22 lawfully married under the laws of a state, the District of
23 Columbia, a United States territory, or a foreign jurisdiction and
24 the marriage would be recognized as a marriage under the laws of at
25 least one state, possession, or territory of the United States,
26 regardless of domicile [~~marriage is recorded in the records of the~~
27 ~~recorder's office in the county in which the marriage ceremony was~~

1 ~~performed~~]. In the case of a common-law marriage, a marriage
2 declaration must be signed by the member and the member's
3 common-law spouse before a notary public or similar official and
4 recorded in the records of the applicable jurisdiction [~~county~~
5 ~~clerk's office in the county~~] in which the couple resides at the
6 commencement of the marriage. In addition, a marriage that is
7 evidenced by a declaration of common-law marriage signed before a
8 notary public or similar official after December 31, 1999, may not
9 be treated as effective earlier than the date on which it was signed
10 before the notary public or similar official.

11 (b) If a retired member dies after becoming eligible for
12 [~~entitled to~~] a service or disability pension, the board shall pay
13 an immediate monthly benefit as follows:

14 (1) to the surviving spouse for life, if there is a
15 surviving spouse, a sum equal to the pension that was being received
16 by the retired member at the time of death;

17 (2) to the guardian of any dependent child under 18
18 years of age or a child with a disability as long as the dependent
19 child complies with the definition of dependent child under Section
20 2(7) of this article [~~children~~], on behalf of the dependent child
21 [~~children~~], or directly to a dependent child described by Section
22 2(7)(B) of this article, and if there is no spouse eligible for
23 [~~entitled to~~] an allowance, the sum a surviving spouse would have
24 received, to be divided equally among all [~~the~~] dependent children
25 if there is more than one dependent child; or

26 (3) to any dependent parents for life if no spouse or
27 dependent child is eligible for [~~entitled to~~] an allowance, the sum

1 the spouse would have received, to be divided equally between the
2 two parents if there are two dependent parents.

3 (c) If an active [~~a~~] member of the pension system who has not
4 completed 20 [~~10~~] years of service in the police department is
5 killed or dies from any cause growing out of or in consequence of
6 any act clearly not in the actual performance of the member's
7 official duty, the member's surviving spouse, dependent child or
8 children, or dependent parent or parents are eligible [~~entitled~~] to
9 receive an immediate benefit. The benefit is computed in the same
10 manner as a service retirement pension but is based on the deceased
11 member's service and final average [~~total direct~~] pay at the time of
12 death. The monthly benefit may not be less than:

13 (1) 27.5 percent of the member's final average [~~total~~
14 ~~direct~~] pay for members hired before October 9, 2004, including a
15 member who involuntarily separated from service but has been
16 retroactively reinstated under arbitration, civil service, or a
17 court ruling; or

18 (2) 22.5 percent of the member's final average pay for
19 members hired or rehired on or after October 9, 2004.

20 (e) If any active member is killed or dies from any cause
21 growing out of or in consequence of the performance of the member's
22 duty, the member's surviving spouse, dependent child or children,
23 or dependent parent or parents are eligible [~~entitled~~] to receive
24 immediate benefits computed in accordance with Subsection (b) of
25 this section, except that the benefit [~~payable to the spouse, or to~~
26 ~~the guardian of the dependent child or children if there is no~~
27 ~~surviving spouse, or the dependent parent or parents if there is no~~

1 ~~surviving spouse or dependent child,~~ is equal to 100 percent of the
2 member's final average [~~total direct~~] pay, computed as of the date
3 of death.

4 (f) A surviving spouse who receives a survivor's benefit
5 under this article is eligible [~~entitled~~] to receive an additional
6 amount each month equal to \$150, beginning with the later of the
7 date the first payment of the survivor's benefit is due or the date
8 the first monthly payment becomes due after June 18, 2001, and
9 continuing until the end of the month in which the surviving spouse
10 dies.

11 (g) A surviving spouse or dependent who becomes eligible to
12 receive benefits with respect to an active member who was hired or
13 rehired before October 9, 2004, who dies in active service after
14 November 23, 1998, is eligible [~~entitled~~] to receive a one-time
15 lump-sum payment of \$5,000 at the time the first monthly pension
16 benefit is paid, if the member has not already received a \$5,000
17 lump-sum payment under Section 12 or 15(c) of this article. If more
18 than one dependent is eligible to receive a payment under this
19 subsection, the \$5,000 shall be divided equally among the eligible
20 dependents. This payment has no effect on the amount of the
21 surviving spouse's or dependents' monthly pension and may not be
22 paid more than once.

23 (h) The monthly benefits of surviving spouses or dependents
24 provided under this section, except the \$150 monthly payments
25 described by Subsection (f) of this section, shall be increased
26 annually at the same time and by the same percentage as the pensions
27 of retired members are increased in accordance with Section 12(c)

1 or 12(c-1) of this article. Also, for any year in which a 13th
2 payment is made pursuant to Section 12(e) of this article, a 13th
3 payment, computed in the same manner and subject to the same
4 conditions, shall also be made to the survivor [~~survivors~~] who is
5 eligible [~~are entitled~~] to receive death benefits at that time if
6 the member would have been entitled to a 13th payment, if living.

7 (i) If a member or individual receiving a survivor's pension
8 dies before monthly payments have been made for at least five years,
9 leaving no person otherwise eligible [~~entitled~~] to receive further
10 monthly payments with respect to the member, the monthly payments
11 shall continue to be made [~~to the designated beneficiary of the~~
12 ~~member or survivor, or to the estate of the member or survivor if a~~
13 ~~beneficiary was not designated,~~] in the same amount as the last
14 monthly payment made to the member or [~~]~~ survivor [~~, or estate,~~]
15 until payments have been made for five years with respect to the
16 member. The payments shall be made to the spouse of the member, if
17 living, and if no spouse is living, to the natural or adopted
18 children of the member, to be divided equally among the children if
19 the member has more than one child. If the member has no spouse or
20 children who are living, the benefit may not be paid. If the member
21 dies after becoming eligible to receive benefits [~~vested~~] but
22 before payments begin, leaving no survivors eligible for benefits,
23 the amount of each monthly payment over the five-year period shall
24 be the same as the monthly payment the member would have received if
25 the member had taken disability retirement on the date of the
26 member's death and shall be paid to the member's spouse or children
27 in the manner provided by this subsection. If the member has no

1 spouse or children who are living, then the benefit may not be paid
2 ~~[A member may designate a beneficiary in lieu of the member's estate~~
3 ~~to receive the remaining payments in the event the member and all~~
4 ~~survivors die before payments have been received for five years].~~
5 The member's estate or a beneficiary who is not a survivor or
6 dependent is not eligible ~~[entitled]~~ to receive the payment
7 described by Subsection (g) of this section.

8 (j) A benefit payment made in accordance with this section
9 on behalf of a minor or other person under a legal disability fully
10 discharges the pension system's obligation to that person.

11 (k) A retired member or surviving spouse may designate a
12 beneficiary on a form prescribed by the pension system to receive
13 the final monthly payment owed but not received before the member's
14 or surviving spouse's death.

15 (l) The board may at any time require a person receiving
16 death benefits as a disabled child under this article to undergo a
17 medical examination by a physician appointed or selected by the
18 board for that purpose.

19 SECTION 2.19. Section 16A, Article 6243g-4, Revised
20 Statutes, is amended to read as follows:

21 Sec. 16A. BENEFICIARY DESIGNATION FOR DROP. (a) Except for
22 the marriage requirement described by Section 16(a) of this
23 article, the ~~[The]~~ provisions of Section 16 of this article
24 pertaining to rights of survivors do not apply to an amount held in
25 a member's DROP account. A member who participates in DROP may
26 designate a beneficiary in the form and manner prescribed by or on
27 behalf of the board to receive the balance of the member's DROP

1 account in the event of the member's death, as permitted by Section
2 401(a)(9) of the code and the board's policies. A member who is
3 married is considered to have designated the member's spouse as the
4 member's beneficiary unless the spouse consents, in a notarized
5 writing delivered to the board, to the designation of another
6 person as beneficiary. If no designated beneficiary survives the
7 member, the board shall [~~may~~] pay the balance of the member's DROP
8 account to the member's beneficiaries in the following order:

9 (1) to the member's spouse;

10 (2) if the member does not have a spouse, to each
11 natural or adopted child of the member, or to the guardian of the
12 child if the child is a minor or has a disability, in equal shares;

13 (3) if the member does not have a spouse or any
14 children, to each surviving parent of the member in equal shares; or

15 (4) if the member has no beneficiaries described by
16 Subdivisions (1), (2), and (3) of this subsection, to the estate of
17 the member.

18 (b) If a member names a spouse as a beneficiary and is
19 subsequently divorced from that spouse, the divorce voids the
20 designation of the divorced spouse as the member's beneficiary. A
21 designation of a divorced spouse will cause the board to pay any
22 balance remaining in the member's DROP account in the order
23 prescribed by Subsection (a) of this section.

24 (c) The surviving spouse may designate a beneficiary on a
25 form prescribed by the pension system to receive the balance of the
26 DROP account owed but not received before the surviving spouse's
27 death.

1 (d) Payment of the balance of the member's DROP account made
2 in accordance with this section on behalf of a minor or other person
3 under a legal disability fully discharges the pension system's
4 obligation to that person.

5 SECTION 2.20. Section 17, Article 6243g-4, Revised
6 Statutes, is amended by amending Subsections (b), (d), and (e) and
7 adding Subsection (i) to read as follows:

8 (b) A member of the pension system who has not completed 20
9 years of service at the time of separation from service with the
10 police department is eligible for [~~entitled to~~] a refund of the
11 total of the contributions the member made to the pension system,
12 plus any amount that was contributed for the member by the city and
13 not applied in accordance with this section to provide the member
14 with 10 years of service. The refund does not include interest, and
15 neither the city nor the member is eligible for [~~entitled to~~] a
16 refund of the contributions the city made on the member's behalf,
17 except as expressly provided by this subsection. By receiving the
18 refund, the member forfeits any service earned before separation
19 from service, even if it is otherwise nonforfeitable.

20 (d) A member must apply to the board for a refund within one
21 year after the date of separation from service. Failure to apply
22 for the refund within the one-year period results in a forfeiture of
23 the right to the refund except for an inactive member who is
24 eligible for a pension [~~whose right to a pension is~~
25 ~~nonforfeitable~~]. However, the board may reinstate any amount
26 forfeited and allow the refund on application by the former member.

27 (e) Heirs, executors, administrators, personal

1 representatives, or assignees are not eligible [~~entitled~~] to apply
2 for and receive the refund authorized by this section [~~except as~~
3 ~~provided by Section 16(c) of this article~~].

4 (i) Former members reemployed on or after October 9, 2004,
5 or current members who left service after October 9, 2004, if
6 reemployed by the city, may purchase prior service credit at a rate
7 of interest equal to 2.25 percent per year. Active members hired
8 before October 9, 2004, who have not yet purchased prior service
9 credit or members hired before October 9, 2004, who involuntarily
10 separated from service but have been retroactively reinstated under
11 arbitration, civil service, or a court ruling may purchase prior
12 service credit at a rate of interest equal to 2.75 percent per year.
13 The board may adopt rules necessary to implement this section.

14 SECTION 2.21. Section 18(a), Article 6243g-4, Revised
15 Statutes, is amended to read as follows:

16 (a) Except as provided by this section:

17 (1) credit may not be allowed to any person for service
18 with any department in the city other than the police department;
19 [~~and~~]

20 (2) a person's service will be computed from the date
21 of entry into the service of the police department as a classified
22 police officer until the date of separation from service with the
23 police department; and

24 (3) a member who received service credit for service
25 with any department in the city other than the police department and
26 who is receiving a monthly pension benefit or who began
27 participation in DROP before the year 2017 effective date shall

1 continue to have the service credit apply.

2 SECTION 2.22. Sections 19(b) and (d), Article 6243g-4,
3 Revised Statutes, are amended to read as follows:

4 (b) A person who rejoins the pension system under this
5 section is eligible [~~entitled~~] to receive service credit for each
6 day of service and work performed by the person in a classified
7 position in the police department, except for any period during
8 which the person is a DROP participant. The board shall add service
9 earned after the transfer to the prior service the active member
10 accrued in a classified position in the police department.
11 However, the active member may not receive service credit under
12 this article, except to the extent provided by Section 18, for
13 service performed for the city other than in a classified position
14 in the police department.

15 (d) When a member who has transferred as described by this
16 section subsequently retires, the retired member is eligible for
17 [~~entitled to~~] a pension computed on the basis of the combined
18 service described by Subsection (b) of this section, after
19 deducting any period in which the member was suspended from duty
20 without pay, on leave of absence without pay, separated from
21 service, or employed by the city in a capacity other than in a
22 classified position in the police department.

23 SECTION 2.23. Section 21, Article 6243g-4, Revised
24 Statutes, is amended to read as follows:

25 Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF
26 INFORMATION. (a) The board may require any member, survivor, or
27 other person or entity to furnish information the board requires

1 for the determination of benefits under this article. If a person
2 or entity does not cooperate in the furnishing or obtaining of
3 information required as provided by this section, the board may
4 withhold payment of the pension or other benefits dependent on the
5 information.

6 (b) The city, not later than the 14th day after the date the
7 city receives a request by or on behalf of the board, shall, unless
8 otherwise prohibited by law, supply the pension system with
9 personnel, payroll, and financial records in the city's possession
10 that the pension system determines necessary to provide pension
11 administrative and fiduciary services under this section, to
12 establish beneficiaries' eligibility for any benefit, or to
13 determine a member's credited service or the amount of any
14 benefits, including disability benefits, and such other
15 information the pension system may need, including:

16 (1) information needed to verify service, including
17 the following information:

18 (A) the date a person is sworn in to a position;

19 (B) the days a person is under suspension;

20 (C) the days a person is absent without pay,
21 including the days a person is on maternity leave;

22 (D) the date of a person's termination from
23 employment; and

24 (E) the date of a person's reemployment with the
25 city;

26 (2) medical records;

27 (3) workers' compensation records and pay information;

1 (4) payroll information;
2 (5) information needed to verify whether a member is
3 on military leave; and
4 (6) information regarding phase-down participants,
5 including information related to entry date and phase-down plan.

6 (c) The city shall provide any information that may be
7 reasonably necessary to enable the pension system to comply with
8 administrative services the pension system performs for the city as
9 reasonably necessary to obtain any ruling or determination letter
10 from the Internal Revenue Service.

11 (d) The information provided by the city shall be
12 transmitted to the pension system electronically in a format
13 specified by the pension system, to the extent available to the
14 city, or in writing if so requested on behalf of the pension system.

15 (e) The pension system shall determine each member's
16 credited service and pension benefits on the basis of the personnel
17 and financial records of the city and the records of the pension
18 system.

19 SECTION 2.24. Section 23, Article 6243g-4, Revised
20 Statutes, is amended to read as follows:

21 Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the
22 pension system engaged in active service in a uniformed service may
23 not be required to make the monthly payments into the fund and may
24 not lose any previous years' service with the city because of the
25 uniformed service. The uniformed service shall count as continuous
26 service in the police department if the member returns to the city
27 police department after discharge from the uniformed service as an

1 employee within the period required by the Uniformed Services
2 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section
3 4301 et seq.), as amended, and the uniformed service does not exceed
4 the period for which a person is eligible [~~entitled~~] to have service
5 counted pursuant to that Act. Notwithstanding any other provision
6 of this article, contributions and benefits shall be paid and
7 qualified service for military service shall be determined in
8 compliance with Section 414(u) of the code.

9 (b) The city is required to make its payments into the fund
10 on behalf of each member while the member is engaged in a uniformed
11 service. If a member who has less than 10 years of service in the
12 pension system dies directly or indirectly as a result of the
13 uniformed service, and without returning to active service, the
14 spouse, dependent children, dependent parent, or estate of the
15 member is eligible [~~entitled~~] to receive a benefit in the same
16 manner as described by Section 16(c) of this article.

17 SECTION 2.25. Section 24(b), Article 6243g-4, Revised
18 Statutes, is amended to read as follows:

19 (b) Payments due on behalf of a dependent child shall be
20 paid to the dependent child's guardian, if any, or if none to the
21 person with whom the dependent child is living, except that the
22 board may make payments directly to a dependent child in an
23 appropriate case and withhold payments otherwise due on behalf of
24 any person if the board has reason to believe the payments are not
25 being applied on behalf of the person eligible [~~entitled~~] to
26 receive them. The board may request a court of competent
27 jurisdiction to appoint a person to receive and administer the

1 payments due to any dependent child or person under a disability.

2 SECTION 2.26. Section 25, Article 6243g-4, Revised
3 Statutes, is amended by amending Subsections (b), (c), (d), (g),
4 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to
5 read as follows:

6 (b) A member or survivor of a member of the pension system
7 may not accrue a retirement pension, disability retirement
8 allowance, death benefit allowance, DROP benefit, or any other
9 benefit under this article in excess of the benefit limits
10 applicable to the fund under Section 415 of the code. The board
11 shall reduce the amount of any benefit that exceeds those limits by
12 the amount of the excess. If total benefits under this fund and the
13 benefits and contributions to which any member is eligible
14 ~~[entitled]~~ under any other qualified plans maintained by the city
15 that employs the member would otherwise exceed the applicable
16 limits under Section 415 of the code, the benefits the member would
17 otherwise receive from the fund shall be reduced to the extent
18 necessary to enable the benefits to comply with Section 415.

19 (c) Subject to Subsection (c-1) of this section, any ~~[Any]~~
20 distributee ~~[member or survivor]~~ who receives ~~[any distribution~~
21 ~~that is]~~ an eligible rollover distribution ~~[as defined by Section~~
22 ~~402(c)(4) of the code]~~ is eligible ~~[entitled]~~ to have that
23 distribution transferred directly to another eligible retirement
24 plan of the distributee's ~~[member's or survivor's]~~ choice on
25 providing direction to the pension system regarding that transfer
26 in accordance with procedures established by the board.

27 (c-1) For purposes of Subsection (c) of this section:

1 (1) "Direct rollover" means a payment by the plan to
2 the eligible retirement plan specified by the distributee.

3 (2) "Distributee" means a member or a member's
4 surviving spouse or non-spouse designated beneficiary or a member's
5 spouse or former spouse who is the alternate payee under a qualified
6 domestic relations order with regard to the interest of the spouse
7 or former spouse.

8 (3) "Eligible retirement plan" means:

9 (A) an individual retirement account as defined
10 by Section 408(a) of the code;

11 (B) an individual retirement annuity as defined
12 by Section 408(b) of the code;

13 (C) an annuity plan as described by Section
14 403(a) of the code;

15 (D) an eligible deferred compensation plan as
16 defined by Section 457(b) of the code that is maintained by an
17 eligible employer as described by Section 457(e)(1)(A) of the code;

18 (E) an annuity contract as described by Section
19 403(b) of the code;

20 (F) a qualified trust as described by Section
21 401(a) of the code that accepts the distributee's eligible rollover
22 distribution; and

23 (G) in the case of an eligible rollover
24 distribution, for a designated beneficiary that is not the
25 surviving spouse, a spouse, or a former spouse who is an alternate
26 payee under a qualified domestic relations order, an eligible
27 retirement plan means only an individual retirement account or

1 individual retirement annuity that is established for the purpose
2 of receiving the distribution on behalf of the beneficiary.

3 (4) "Eligible rollover distribution" means any
4 distribution of all or any portion of the balance to the credit of
5 the distributee, except that an eligible rollover distribution does
6 not include:

7 (A) any distribution that is one of a series of
8 substantially equal periodic payments, not less frequently than
9 annually, made for life or life expectancy of the distributee or the
10 joint lives or joint life expectancies of the distributee and the
11 distributee's designated beneficiary or for a specified period of
12 10 years or more;

13 (B) any distribution to the extent the
14 distribution is required under Section 401(a)(9) of the code; or

15 (C) any distribution that is made on hardship of
16 the employee.

17 (d) The annual compensation for each member [~~total salary~~]
18 taken into account for any purpose under this article [~~for any~~
19 ~~member of the pension system~~] may not exceed \$200,000 for any year
20 for an eligible participant, or for years beginning after 2001 for
21 an ineligible participant, or \$150,000 a year before 2001 for an
22 ineligible participant. These dollar limits shall be adjusted from
23 time to time in accordance with guidelines provided by the United
24 States secretary of the treasury and must comply with Section
25 401(a)(17) of the code. For purposes of this subsection, an
26 eligible participant is a person who first became an active member
27 before 1996, and an ineligible participant is a member who is not an

1 eligible participant.

2 (g) Distribution of benefits must begin not later than April
3 1 of the year following the calendar year during which the member
4 eligible for [~~entitled to~~] the benefits becomes 70-1/2 years of age
5 or terminates employment with the employer, whichever is later, and
6 must otherwise conform to Section 401(a)(9) of the code.

7 (h) For purposes of adjusting any benefit due to the
8 limitations prescribed by Section 415 of the code, the following
9 provisions shall apply:

10 (1) the 415(b) limitation with respect to any member
11 who at any time has been a member in any other defined benefit plan
12 as defined in Section 414(j) of the code maintained by the city
13 shall apply as if the total benefits payable under all the defined
14 benefit plans in which the member has been a member were payable
15 from one plan; and

16 (2) the 415(c) limitation with respect to any member
17 who at any time has been a member in any other defined contribution
18 plan as defined in Section 414(i) of the code maintained by the city
19 shall apply as if the total annual additions under all such defined
20 contribution plans in which the member has been a member were
21 payable from one plan.

22 (h-1) For purposes of adjusting any benefit due to the
23 limitations prescribed by Section 415(b) of the code, the following
24 provisions shall apply:

25 (1) before January 1, 1995, a member may not receive an
26 annual benefit that exceeds the limits specified in Section 415(b)
27 of the code, subject to the applicable adjustments in that section;

1 (2) on and after January 1, 1995, a member may not
2 receive an annual benefit that exceeds the dollar amount specified
3 in Section 415(b)(1)(A) of the code, subject to the applicable
4 adjustments in Section 415(b) of the code and subject to any
5 additional limits that may be specified in the pension system;

6 (3) in no event may a member's annual benefit payable
7 under the pension system, including any DROP benefits, in any
8 limitation year be greater than the limit applicable at the annuity
9 starting date, as increased in subsequent years pursuant to Section
10 415(d) of the code, including regulations adopted under that
11 section; and

12 (4) the "annual benefit" means a benefit payable
13 annually in the form of a straight life annuity, with no ancillary
14 benefits, without regard to the benefit attributable to any
15 after-tax employee contributions, unless attributable under
16 Section 415(n) of the code, and to rollover contributions as
17 defined in Section 415(b)(2)(A) of the code. For purposes of this
18 subdivision, the "benefit attributable" shall be determined in
19 accordance with applicable federal regulations.

20 (h-2) For purposes of adjustments to the basic limitation
21 under Section 415(b) of the code in the form of benefits, the
22 following provisions apply:

23 (1) if the benefit under the pension system is other
24 than the form specified in Subsections (h-1)(1)-(3) of this
25 section, including DROP benefits, the benefit shall be adjusted so
26 that it is the equivalent of the annual benefit, using factors
27 prescribed in applicable federal regulations; and

1 (2) if the form of benefit without regard to the
2 automatic benefit increase feature is not a straight life annuity
3 or a qualified joint and survivor annuity, Subdivision (1) of this
4 subsection is applied by either reducing the limit under Section
5 415(b) of the code applicable at the annuity starting date or
6 adjusting the form of benefit to an actuarially equivalent amount
7 determined by using the assumptions specified in Treasury
8 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account
9 the additional benefits under the form of benefit as follows:

10 (A) for a benefit paid in a form to which Section
11 417(e)(3) of the code does not apply, the actuarially equivalent
12 straight life annuity benefit that is the greater of:

13 (i) the annual amount of the straight life
14 annuity, if any, payable to the member under the pension system
15 commencing at the same annuity starting date as the form of benefit
16 to the member or the annual amount of the straight life annuity
17 commencing at the same annuity starting date that has the same
18 actuarial present value as the form of benefit payable to the
19 member, computed using a five percent interest assumption or the
20 applicable statutory interest assumption; and

21 (ii) for years prior to January 1, 2009, the
22 applicable mortality tables described in Treasury Regulation
23 Section 1.417(e)-1(d)(2), and for years after December 31, 2008,
24 the applicable mortality tables described in Section 417(e)(3)(B)
25 of the code; or

26 (B) for a benefit paid in a form to which Section
27 417(e)(3) of the code applies, the actuarially equivalent straight

1 life annuity benefit that is the greatest of:

2 (i) the annual amount of the straight life
3 annuity commencing at the annuity starting date that has the same
4 actuarial present value as the particular form of benefit payable,
5 computed using the interest rate and mortality table, or tabular
6 factor, specified in the plan for actuarial experience;

7 (ii) the annual amount of the straight life
8 annuity commencing at the annuity starting date that has the same
9 actuarial present value as the particular form of benefit payable,
10 computed using a 5.5 percent interest assumption or the applicable
11 statutory interest assumption, and for years prior to January 1,
12 2009, the applicable mortality tables for the distribution under
13 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after
14 December 31, 2008, the applicable mortality tables described in
15 Section 417(e)(3)(B) of the code; or

16 (iii) the annual amount of the straight
17 life annuity commencing at the annuity starting date that has the
18 same actuarial present value as the particular form of benefit
19 payable computed using the applicable interest rate for the
20 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)
21 using the rate in effect for the month prior to retirement before
22 January 1, 2017, and using the rate in effect for the first day of
23 the plan year with a one-year stabilization period on and after
24 January 1, 2017, and for years prior to January 1, 2009, the
25 applicable mortality tables for the distribution under Treasury
26 Regulation Section 1.417(e)-1(d)(2), and for years after December
27 31, 2008, the applicable mortality tables described in Section

1 417(e)(3)(B) of the code, divided by 1.05.

2 (h-3) The pension system actuary may adjust the limitation
3 under Section 415(b) of the code at the annuity starting date in
4 accordance with Subsections (h-1) and (h-2) of this section.

5 (h-4) The following are benefits for which no adjustment of
6 the limitation in Section 415(b) of the code is required:

7 (1) any ancillary benefit that is not directly related
8 to retirement income benefits;

9 (2) the portion of any joint and survivor annuity that
10 constitutes a qualified joint and survivor annuity; and

11 (3) any other benefit not required under Section
12 415(b)(2) of the code and regulations adopted under that section to
13 be taken into account for purposes of the limitation of Section
14 415(b)(1) of the code.

15 (h-5) The following provisions apply to other adjustments
16 of the limitation under Section 415(b) of the code:

17 (1) in the event the member's pension benefits become
18 payable before the member attains 62 years of age, the limit
19 prescribed by this section shall be reduced in accordance with
20 federal regulations adopted under Section 415(b) of the code, so
21 that that limit, as reduced, equals an annual straight life annuity
22 benefit when the retirement income benefit begins, that is
23 equivalent to a \$160,000, as adjusted, annual benefit beginning at
24 62 years of age;

25 (2) in the event the member's benefit is based on at
26 least 15 years of service as a full-time employee of any police or
27 fire department or on 15 years of military service, in accordance

1 with Sections 415(b)(2)(G) and (H) of the code, the adjustments
2 provided for in Subdivision (1) of this section may not apply; and

3 (3) in accordance with Section 415(b)(2)(I) of the
4 code, the reductions provided for in Subdivision (1) of this
5 section may not be applicable to preretirement disability benefits
6 or preretirement death benefits.

7 (h-6) The following provisions of this subsection govern
8 adjustment of the defined benefit dollar limitation for benefits
9 commenced after 65 years of age:

10 (1) if the annuity starting date for the member's
11 benefit is after 65 years of age and the pension system does not
12 have an immediately commencing straight life annuity payable at
13 both 65 years of age and the age of benefit commencement, the
14 defined benefit dollar limitation at the member's annuity starting
15 date is the annual amount of a benefit payable in the form of a
16 straight life annuity commencing at the member's annuity starting
17 date that is the actuarial equivalent of the defined benefit dollar
18 limitation, with actuarial equivalence computed using a five
19 percent interest rate assumption and the applicable mortality table
20 for that annuity starting date as defined in Section 417(e)(3)(B)
21 of the code, expressing the member's age based on completed
22 calendar months as of the annuity starting date;

23 (2) if the annuity starting date for the member's
24 benefit is after age 65, and the pension system has an immediately
25 commencing straight life annuity payable at both 65 years of age and
26 the age of benefit commencement, the defined benefit dollar
27 limitation at the member's annuity starting date is the lesser of

1 the limitation determined under Subdivision (1) of this section and
2 the defined benefit dollar limitation multiplied by the ratio of
3 the annual amount of the adjusted immediately commencing straight
4 life annuity under the pension system at the member's annuity
5 starting date to the annual amount of the adjusted immediately
6 commencing straight life annuity under the pension system at 65
7 years of age, both determined without applying the limitations of
8 this subsection; and

9 (3) notwithstanding the other requirements of this
10 section:

11 (A) no adjustment shall be made to reflect the
12 probability of a member's death between the annuity starting date
13 and 62 years of age, or between 65 years of age and the annuity
14 starting date, as applicable, if benefits are not forfeited on the
15 death of the member prior to the annuity starting date; and

16 (B) to the extent benefits are forfeited on death
17 before the annuity starting date, the adjustment shall be made, and
18 for this purpose no forfeiture shall be treated as occurring on the
19 member's death if the pension system does not charge members for
20 providing a qualified preretirement survivor annuity, as defined in
21 Section 417(c) of the code, on the member's death.

22 (h-7) For the purpose of Subsection (h-6)(2) of this
23 section, the adjusted immediately commencing straight life annuity
24 under the pension system at the member's annuity starting date is
25 the annual amount of such annuity payable to the member, computed
26 disregarding the member's accruals after 65 years of age but
27 including actuarial adjustments even if those actuarial

1 adjustments are used to offset accruals, and the adjusted
2 immediately commencing straight life annuity under the pension
3 system at 65 years of age is the annual amount of the annuity that
4 would be payable under the pension system to a hypothetical member
5 who is 65 years of age and has the same accrued benefit as the
6 member.

7 (h-8) The maximum pension benefits payable to any member who
8 has completed less than 10 years of participation shall be the
9 amount determined under Subsection (h-1) of this section, as
10 adjusted under Subsection (h-2) or (h-5) of this section,
11 multiplied by a fraction, the numerator of which is the number of
12 the member's years of participation and the denominator of which is
13 10. The limit under Subsection (h-9) of this section concerning the
14 \$10,000 limit shall be similarly reduced for any member who has
15 accrued less than 10 years of service, except the fraction shall be
16 determined with respect to years of service instead of years of
17 participation. The reduction provided by this subsection cannot
18 reduce the maximum benefit below 10 percent of the limit determined
19 without regard to this subsection. The reduction provided for in
20 this subsection may not be applicable to preretirement disability
21 benefits or preretirement death benefits.

22 (h-9) Notwithstanding Subsection (h-8) of this section, the
23 pension benefit payable with respect to a member shall be deemed not
24 to exceed the limit provided by Section 415 of the code if the
25 benefits payable, with respect to such member under this pension
26 system and under all other qualified defined benefit pension plans
27 to which the city contributes, do not exceed \$10,000 for the

1 applicable limitation year and for any prior limitation year and
2 the city has not at any time maintained a qualified defined
3 contribution plan in which the member participated.

4 (h-10) On and after January 1, 1995, for purposes of
5 applying the limits under Section 415(b) of the code to a member's
6 benefit paid in a form to which Section 417(e)(3) of the code does
7 not apply, the following provisions apply:

8 (1) a member's applicable limit shall be applied to the
9 member's annual benefit in the member's first limitation year
10 without regard to any cost-of-living adjustments under Section 12
11 of this article;

12 (2) to the extent that the member's annual benefit
13 equals or exceeds the limit, the member shall no longer be eligible
14 for cost-of-living increases until such time as the benefit plus
15 the accumulated increases are less than the limit; and

16 (3) after the time prescribed by Subdivision (2) of
17 this subsection, in any subsequent limitation year, a member's
18 annual benefit, including any cost-of-living increases under
19 Section 12 of this article, shall be tested under the applicable
20 benefit limit, including any adjustment under Section 415(d) of the
21 code to the dollar limit under Section 415(b)(1)(A) of the code, and
22 the regulations under those sections.

23 (h-11) Any repayment of contributions, including interest
24 on contributions, to the plan with respect to an amount previously
25 refunded on a forfeiture of service credit under the plan or another
26 governmental plan maintained by the pension system may not be taken
27 into account for purposes of Section 415 of the code, in accordance

1 with applicable federal regulations.

2 (h-12) Reduction of benefits or contributions to all plans,
3 where required, shall be accomplished by:

4 (1) first, reducing the member's benefit under any
5 defined benefit plans in which the member participated, with the
6 reduction to be made first with respect to the plan in which the
7 member most recently accrued benefits and then in the priority
8 determined by the pension system and the plan administrator of such
9 other plans; and

10 (2) next, reducing or allocating excess forfeitures
11 for defined contribution plans in which the member participated,
12 with the reduction to be made first with respect to the plan in
13 which the member most recently accrued benefits and then in the
14 priority determined by the pension system and the plan
15 administrator for such other plans.

16 (h-13) Notwithstanding Subsection (h-12) of this section,
17 reductions may be made in a different manner and priority pursuant
18 to the agreement of the pension system and the plan administrator of
19 all other plans covering such member. [~~If the amount of any benefit~~
20 ~~is to be determined on the basis of actuarial assumptions that are~~
21 ~~not otherwise specifically set forth for that purpose in this~~
22 ~~article, the actuarial assumptions to be used are those earnings~~
23 ~~and mortality assumptions being used on the date of the~~
24 ~~determination by the pension system's actuary and approved by the~~
25 ~~board. The actuarial assumptions being used at any particular time~~
26 ~~shall be attached as an addendum to a copy of this article and~~
27 ~~treated for all purposes as a part of this article. The actuarial~~

1 ~~assumptions may be changed by the pension system's actuary at any~~
2 ~~time if approved by the board, but a change in actuarial assumptions~~
3 ~~may not result in any decrease in benefits accrued as of the~~
4 ~~effective date of the change.]~~

5 SECTION 2.27. Section 26(b)(3), Article 6243g-4, Revised
6 Statutes, is amended to read as follows:

7 (3) "Maximum benefit" means the retirement benefit a
8 retired member and the spouse, dependent child, or dependent parent
9 of a retired member or deceased member or retiree are eligible
10 ~~[entitled]~~ to receive from all qualified plans in any month after
11 giving effect to Section 25(b) of this article and any similar
12 provisions of any other qualified plans designed to conform to
13 Section 415 of the code.

14 SECTION 2.28. Sections 26(c), (d), and (e), Article
15 6243g-4, Revised Statutes, are amended to read as follows:

16 (c) An excess benefit participant who is receiving benefits
17 from the pension system is eligible for ~~[entitled to]~~ a monthly
18 benefit under this excess benefit plan in an amount equal to the
19 lesser of:

20 (1) the member's unrestricted benefit less the maximum
21 benefit; or

22 (2) the amount by which the member's monthly benefit
23 from the fund has been reduced because of the limitations of Section
24 415 of the code.

25 (d) If a spouse, dependent child, or dependent parent is
26 eligible for ~~[entitled to]~~ preretirement or postretirement death
27 benefits under a qualified plan after the death of an excess benefit

1 participant, the surviving spouse, dependent child, or dependent
2 parent is eligible for [~~entitled to~~] a monthly benefit under the
3 excess benefit plan equal to the benefit determined in accordance
4 with this article without regard to the limitations under Section
5 25(b) of this article or Section 415 of the code, less the maximum
6 benefit.

7 (e) Any benefit to which a person is eligible [~~entitled~~]
8 under this section shall be paid at the same time and in the same
9 manner as the benefit would have been paid from the pension system
10 if payment of the benefit from the pension system had not been
11 precluded by Section 25(b) of this article. An excess benefit
12 participant or any beneficiary may not, under any circumstances,
13 elect to defer the receipt of all or any part of a payment due under
14 this section.

15 SECTION 2.29. The heading to Section 27, Article 6243g-4,
16 Revised Statutes, is amended to read as follows:

17 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM
18 AND CITY AUTHORIZED [~~AGREEMENT TO CHANGE BENEFITS~~].

19 SECTION 2.30. Section 27, Article 6243g-4, Revised
20 Statutes, is amended by amending Subsection (b) and adding
21 Subsection (c) to read as follows:

22 (b) A pension benefit or allowance provided by this article
23 may be increased if the increase:

24 (1) is first approved by a qualified actuary selected
25 by the board;

26 (2) is approved by the board and the city in a written
27 agreement as authorized by this section; and

1 (3) does not deprive a member, without the member's
2 written consent, of a right to receive benefits when [~~that have~~
3 ~~become fully vested and matured in~~] the member is fully eligible.

4 (c) In a written agreement entered into between the city and
5 the board under this section, the parties may not fundamentally:

6 (1) alter Sections 9 through 9E of this article;

7 (2) increase the assumed rate of return to more than
8 seven percent per year;

9 (3) extend the amortization period of a liability
10 layer to more than 30 years from the first day of the fiscal year
11 beginning 12 months after the date of the risk sharing valuation
12 study in which the liability layer is first recognized; or

13 (4) allow a city contribution rate in any year that is
14 less than or greater than the city contribution rate required under
15 Section 9D or 9E of this article, as applicable.

16 SECTION 2.31. Section 29, Article 6243g-4, Revised
17 Statutes, is amended by adding Subsections (c), (d), (e), (f), and
18 (g) to read as follows:

19 (c) To carry out the provisions of Sections 9 through 9E of
20 this article, the board and the pension system shall provide the
21 city actuary under a confidentiality agreement the actuarial data
22 used by the pension system actuary for the pension system's
23 actuarial valuations or valuation studies and other data as agreed
24 to between the city and the pension system that the city actuary
25 determines is reasonably necessary for the city actuary to perform
26 the studies required by Sections 9A through 9E of this article.
27 Actuarial data described by this subsection does not include

1 information described by Subsection (a) of this section.

2 (d) A risk sharing valuation study prepared by either the
3 city actuary or the pension system actuary under Sections 9A
4 through 9E of this article may not:

5 (1) include information described by Subsection (a) of
6 this section; or

7 (2) provide confidential or private information
8 regarding specific individuals or be grouped in a manner that
9 allows confidential or private information regarding a specific
10 individual to be discerned.

11 (e) The information, data, and document exchanges under
12 Sections 9 through 9E of this article have all the protections
13 afforded by applicable law and are expressly exempt from the
14 disclosure requirements under Chapter 552, Government Code, except
15 as may be agreed to by the city and pension system in a written
16 agreement under Section 27 of this article.

17 (f) Subsection (e) of this section does not apply to final
18 risk sharing valuation studies prepared under Section 9A or 9B of
19 this article.

20 (g) Before a union contract is approved by the city, the
21 mayor of the city must cause the city actuaries to deliver to the
22 mayor a report estimating the impact of the proposed union contract
23 on fund costs.

24 SECTION 2.32. Article 6243g-4, Revised Statutes, is amended
25 by adding Section 30 to read as follows:

26 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any
27 other law, a member who is convicted, after exhausting all appeals,

1 of an offense punishable as a felony of the first degree in relation
2 to, arising out of, or in connection with the member's service as a
3 classified police officer may not receive any benefits under this
4 article.

5 (b) After the member described by Subsection (a) of this
6 section is finally convicted, the member's spouse may apply for
7 benefits if the member, but for application of Subsection (a) of
8 this section, would have been eligible for a pension benefit or a
9 delayed payment of benefits. If the member would not have been
10 eligible for a pension benefit or a delayed payment of benefits, the
11 member's spouse may apply for a refund of the member's
12 contributions. A refund under this subsection does not include
13 interest and does not include contributions the city made on the
14 member's behalf. The city may not receive a refund of any
15 contributions the city made on the member's behalf.

16 SECTION 2.33. Sections 2(19) and (23), 8(b), 12(f), 14(f)
17 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised
18 Statutes, are repealed.

19 SECTION 2.34. A city and board that have entered into one or
20 more agreements under Section 27, Article 6243g-4, Revised
21 Statutes, shall agree in writing as to the portions of such
22 agreements that, as of the year 2017 effective date, shall remain in
23 effect.

24 SECTION 2.35. Notwithstanding Section 2(3), Article
25 6243g-4, Revised Statutes, as amended by this Act, the assumed rate
26 of return for the fiscal year ending June 30, 2018, is seven percent
27 per year for purposes of Article 6243g-4, Revised Statutes.

1 SECTION 2.36. The pension system established under Article
2 6243g-4, Revised Statutes, shall require the pension system actuary
3 to prepare the first actuarial experience study required under
4 Section 9C, Article 6243g-4, Revised Statutes, as added by this
5 Act, not later than September 30, 2022.

6 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

7 SECTION 3.01. Section 1, Chapter 88 (H.B. 1573), Acts of the
8 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
9 Texas Civil Statutes), is amended by amending Subdivisions (1),
10 (5), (7), (14), (18), and (26) and adding Subdivisions (1-a),
11 (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c), (4-d),
12 (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f),
13 (11-g), (11-h), (11-i), (12-a), (12-b), (14-a), (14-b), (15-a),
14 (17-a), (18-a), (20-a), (21-a), (26-a), (26-b), (28), (29), (30),
15 and (31) to read as follows:

16 (1) "Actuarial data" includes:

17 (A) the census data, assumption tables,
18 disclosure of methods, and financial information that are routinely
19 used by the pension system actuary to prepare an actuarial
20 valuation under Section 2B of this Act or an actuarial experience
21 study under Section 8D of this Act; and

22 (B) any other data that is reasonably necessary
23 to prepare a risk sharing valuation study under Section 8B or 8C of
24 this Act.

25 (1-a) "Actuarial experience study" has the meaning
26 assigned by Section 802.1014, Government Code.

27 (1-b) "Adjustment factor" means the assumed rate of

1 return less two percent.

2 (1-c) "Amortization period" means the time period
3 necessary to fully pay a liability layer.

4 (1-d) "Amortization rate" means the sum of the
5 scheduled amortization payments less the city contribution amount
6 for a given fiscal year for the liability layers divided by the
7 projected pensionable payroll for the same fiscal year.

8 (1-e) "Assumed rate of return" means the assumed
9 market rate of return on pension system assets.

10 (1-f) "Authorized absence" means:

11 (A) each day an employee is absent due to an
12 approved holiday, vacation, accident, or sickness, if the employee
13 is continued on the employment rolls of the city or the pension
14 system, receives the employee's regular salary from the city or the
15 pension system for each day of absence, and remains eligible to work
16 on recovery or return; or

17 (B) any period that a person is on military leave
18 of absence under Section 18(a) of this Act, provided the person
19 complies with the requirements of that section.

20 (4-a) "City contribution amount" means the amount of
21 city contributions made to the pension fund under Section
22 8A(a)(1)(B) of this Act, if any.

23 (4-b) "City contribution rate" means, for a fiscal
24 year, the rate at which a city makes contributions to the pension
25 fund under Section 8A(a)(1)(A) of this Act.

26 (4-c) "Corridor" means the range of city contribution
27 rates that are:

1 (A) equal to or greater than the minimum
2 contribution rate; and

3 (B) equal to or less than the maximum
4 contribution rate.

5 (4-d) "Corridor margin" means five percentage points.

6 (4-e) "Corridor midpoint" means the estimated city
7 contribution rate specified in the initial risk sharing valuation
8 study under Section 8C of this Act, and as may be adjusted under
9 Section 8E or 8F of this Act, and in each case rounded to the nearest
10 hundredths decimal place.

11 (4-f) "Cost-of-living adjustment percentage" means a
12 percentage that:

13 (A) except as provided by Paragraph (B), is equal
14 to the pension system's five-year investment return, based on a
15 rolling five-year basis and net of investment expenses, minus the
16 adjustment factor, and multiplied by 50 percent; and

17 (B) may not be less than zero or more than two
18 percent.

19 (5) "Credited service" means each day of service and
20 prior service of a member for which:

21 (A) the city ~~has~~ and ~~[, for service in group A,]~~
22 the member have ~~has~~ made required contributions to the pension
23 fund that were not subsequently withdrawn;

24 (B) the member has purchased service credit or
25 converted service credit from group B to group A by paying into the
26 pension fund required amounts that were not subsequently withdrawn;

27 (C) the member has reinstated service under

1 Section 7(g) of this Act; and

2 (D) the member has previously made payments to
3 the pension fund that, under then existing provisions of law, make
4 the member eligible for credit for the service and that were not
5 subsequently withdrawn.

6 (7) "Dependent child" means an unmarried natural or
7 legally adopted child of a member, deferred participant, or retiree
8 who:

9 (A) was supported by the member, deferred
10 participant, or retiree before the termination of employment of the
11 member, deferred participant, or retiree; and

12 (B) is under 21 years of age or is totally and
13 permanently disabled from performing any full-time employment
14 because of an injury, illness, serious mental illness, intellectual
15 disability, or pervasive development disorder [~~or retardation~~]
16 that began before the child became 18 years of age and before the
17 termination of employment [~~death~~] of the member, deferred
18 participant, or retiree.

19 (11-a) "Employer normal cost rate" means the normal
20 cost rate minus the member contribution rate for group D members
21 under Section 8 of this Act. The present value of additional member
22 contributions different from the group D rate taken into account
23 for purposes of determining the employer normal cost rate must be
24 applied toward the actuarial accrued liability.

25 (11-b) "Estimated city contribution rate" means the
26 city contribution rate determined in a risk sharing valuation study
27 under Section 8B or 8C of this Act in accordance with Section

1 8B(a)(3) of this Act.

2 (11-c) "Fiscal year," except as provided by Section 1B
3 of this Act, means a fiscal year beginning on July 1 and ending on
4 June 30.

5 (11-d) "Funded ratio" means the ratio of the pension
6 system's actuarial value of assets divided by the pension system's
7 actuarial accrued liability.

8 (11-e) "Legacy liability" means the unfunded
9 actuarial accrued liability:

10 (A) for the fiscal year ending June 30, 2016,
11 reduced to reflect:

12 (i) changes to benefits or contributions
13 under this Act;

14 (ii) the deposit of pension obligation bond
15 proceeds on or before December 31, 2017; and

16 (iii) payments by the city and earnings at
17 the assumed rate of return allocated to the legacy liability for the
18 period between July 1, 2016, and July 1, 2017, excluding July 1,
19 2017; and

20 (B) for each subsequent fiscal year:

21 (i) reduced by the city contribution amount
22 for that year allocated to the amortization of the legacy
23 liability; and

24 (ii) adjusted by the assumed rate of
25 return.

26 (11-f) "Level percent of payroll method" means the
27 amortization method that defines the amount of the liability layer

1 recognized each fiscal year as a level percent of pensionable
2 payroll until the amount of the liability layer remaining is
3 reduced to zero.

4 (11-g) "Liability gain layer" means a liability layer
5 that decreases the unfunded actuarial accrued liability.

6 (11-h) "Liability layer" means the unanticipated
7 change as established in each risk sharing valuation study prepared
8 under Section 8B or 8C of this Act, as applicable.

9 (11-i) "Liability loss layer" means a liability layer
10 that increases the unfunded actuarial accrued liability. For
11 purposes of this Act, the legacy liability is a liability loss
12 layer.

13 (12-a) "Maximum contribution rate" means the rate
14 equal to the corridor midpoint plus the corridor margin.

15 (12-b) "Minimum contribution rate" means the rate
16 equal to the corridor midpoint minus the corridor margin.

17 (14) "Military service" means active service in the
18 armed forces of the United States or wartime service in the armed
19 forces of the United States or in the allied forces, if credit for
20 military service has not been granted under any federal or other
21 state system or used in any other retirement system, except as
22 expressly required under federal law.

23 (14-a) "Normal cost rate" means the salary weighted
24 average of the individual normal cost rates determined for the
25 current active population, plus an allowance for projected
26 administrative expenses determined in the most recent actuarial
27 experience study conducted under Section 8D of this Act, expressed

1 as a rate, provided the allowance may not exceed 1.25 percent of
2 pensionable payroll for the current fiscal year unless agreed to by
3 the city.

4 (14-b) "Payoff year" means the year a liability layer
5 is fully amortized under the amortization period. A payoff year may
6 not be extended or accelerated for a period that is less than one
7 month.

8 (15-a) "Pension actuary" means the actuary engaged by
9 the pension system under Section 2B of this Act.

10 (17-a) "Pension obligation bond" means a bond issued
11 in accordance with Chapter 107, Local Government Code.

12 (18) "Pension system," unless the context requires
13 otherwise, means the retirement, disability, and survivor benefit
14 plans for municipal employees of a city under this Act and employees
15 under Section 3(d) of this Act.

16 (18-a) "Pensionable payroll" means the combined
17 salaries paid to all members in a fiscal year.

18 (20-a) "Price inflation assumption" means:

19 (A) the most recent headline consumer price index
20 10-year forecast published in the Federal Reserve Bank of
21 Philadelphia Survey of Professional Forecasters; or

22 (B) if the forecast described by Paragraph (A) of
23 this subdivision is not available, another standard as determined
24 by mutual agreement between the city and the pension board entered
25 into under Section 3(n) of this Act.

26 (21-a) "Projected pensionable payroll" means the
27 estimated pensionable payroll for the fiscal year beginning 12

1 months after the date of the risk sharing valuation study prepared
2 under Section 8B or 8C of this Act, as applicable, at the time of
3 calculation by:

4 (A) projecting the prior fiscal year's
5 pensionable payroll forward two years using the current payroll
6 growth rate assumptions; and

7 (B) adjusting, if necessary, for changes in
8 population or other known factors, provided those factors would
9 have a material impact on the calculation, as determined by the
10 pension board.

11 (26) "Surviving spouse" means a spouse by marriage of
12 [~~person who was married to~~] a member, deferred participant, or
13 retiree at the time of death of the member, deferred participant, or
14 retiree and as of the date of [~~before~~] separation from service by
15 the member, deferred participant, or retiree.

16 (26-a) "Third quarter line rate" means the corridor
17 midpoint plus 2.5 percentage points.

18 (26-b) "Total city contribution" means, for a fiscal
19 year, an amount equal to the sum of:

20 (A) the city contribution rate multiplied by the
21 pensionable payroll for the fiscal year; and

22 (B) the city contribution amount for the fiscal
23 year.

24 (28) "Ultimate entry age normal" means an actuarial
25 cost method under which a calculation is made to determine the
26 average uniform and constant percentage rate of contributions that,
27 if applied to the compensation of each member during the entire

1 period of the member's anticipated covered service, would be
2 required to meet the cost of all benefits payable on the member's
3 behalf based on the benefits provisions for newly hired employees.
4 For purposes of this definition, the actuarial accrued liability
5 for each member is the difference between the member's present
6 value of future benefits based on the tier of benefits that apply to
7 the member and the member's present value of future normal costs
8 determined using the normal cost rate.

9 (29) "Unfunded actuarial accrued liability" means the
10 difference between the actuarial accrued liability and the
11 actuarial value of assets. For purposes of this definition:

12 (A) "actuarial accrued liability" means the
13 portion of the actuarial present value of projected benefits
14 attributed to past periods of member service based on the cost
15 method used in the risk sharing valuation study prepared under
16 Section 8B or 8C of this Act, as applicable; and

17 (B) "actuarial value of assets" means the value
18 of pension plan investments as calculated using the asset smoothing
19 method used in the risk sharing valuation study prepared under
20 Section 8B or 8C of this Act, as applicable.

21 (30) "Unanticipated change" means, with respect to the
22 unfunded actuarial accrued liability in each risk sharing valuation
23 study prepared under Section 8B or 8C of this Act, as applicable,
24 the difference between:

25 (A) the remaining balance of all then-existing
26 liability layers as of the date of the risk sharing valuation study;
27 and

1 (B) the actual unfunded actuarial accrued
2 liability as of the date of the risk sharing valuation study.

3 (31) "Year 2017 effective date" means the date on
4 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
5 2017, took effect.

6 SECTION 3.02. Chapter 88 (H.B. 1573), Acts of the 77th
7 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
8 Civil Statutes), is amended by adding Sections 1A and 1B to read as
9 follows:

10 Sec. 1A. INTERPRETATION OF ACT. This Act does not and may
11 not be interpreted to:

12 (1) relieve the city, the pension board, or the
13 pension system of their respective obligations under Sections 8A
14 through 8F of this Act or of any agreement between the city and the
15 pension board authorized by Section 3(n) of this Act;

16 (2) reduce or modify the rights of the city, the
17 pension system, or the pension board, including any officer or
18 employee of the city, pension system, or pension board, to enforce
19 obligations described by Subdivision (1) of this subsection;

20 (3) relieve the city, including any official or
21 employee of the city, from:

22 (A) paying or directing to pay required
23 contributions to the pension system or fund under Section 8 or 8A of
24 this Act or to take other steps required by Section 8E or 8F of this
25 Act or under any agreement between the city and the pension board
26 authorized by Section 3(n) of this Act; or

27 (B) reducing or modifying the rights of the

1 pension board and any officer or employee of the pension board or
2 pension system to enforce obligations described by Subdivision (1)
3 of this section;

4 (4) relieve the pension board or pension system,
5 including any officer or employee of the pension board or pension
6 system, from any obligation to implement a benefit change or take
7 other steps required by Section 8E or 8F of this Act or under any
8 agreement between the city and the pension board authorized by
9 Section 3(n) of this Act; or

10 (5) reduce or modify the rights of the city and any
11 officer or employee of the city to enforce an obligation described
12 by Subdivision (4) of this section.

13 Sec. 1B. FISCAL YEAR. The pension system or the city, or
14 both, may only change their respective fiscal years by entering
15 into a written agreement under Section 3(n) of this Act. If the
16 pension system and city enter into an agreement described by this
17 section, the parties shall, in the agreement, adjust the provisions
18 of Sections 8A through 8F of this Act to reflect that change.

19 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the
20 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
21 Texas Civil Statutes), is amended by amending Subsections (c), (d),
22 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),
23 (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read as
24 follows:

25 (c) The pension board consists of 11 [~~nine~~] trustees as
26 follows:

27 (1) one person appointed by the mayor of the city [~~or~~

1 ~~the director of the civil service commission as the mayor's~~
2 ~~representative];~~

3 (2) one person appointed by the controller of the city
4 ~~[treasurer or a person performing the duties of treasurer];~~

5 (3) four municipal employees of the city who are
6 members of the pension system;

7 (4) two retirees, each of whom:

8 (A) has at least five years of credited service
9 in the pension system;

10 (B) receives a retirement pension from the
11 pension system; and

12 (C) is not an officer or employee of the city;
13 ~~[and]~~

14 (5) one person appointed by the elected trustees who
15 ~~[+~~

16 ~~[(A)]~~ has been a resident of this state for the
17 three years preceding the date of initial appointment; and

18 (6) two persons appointed by the governing body of the
19 city ~~[(B) is not a city officer or employee].~~

20 (c-1) To serve as a trustee under Subsection (c)(1), (2), or
21 (6) of this section, a person may not be a participant in or
22 beneficiary of the pension system.

23 (c-2) A trustee appointed under Subsection (c)(1), (2),
24 (5), or (6) of this section must have expertise in at least one of
25 the following areas: accounting, finance, pensions, investments,
26 or actuarial science. Of the trustees appointed under Subsection
27 (c)(1), (2), and (6) of this section, not more than two trustees may

1 have expertise in the same area.

2 (c-3) A trustee appointed under Subsection (c)(1) of this
3 section shall serve a three-year term expiring in July of the
4 applicable year. The appointed trustee may be removed at any time
5 by the mayor. The mayor shall fill a vacancy caused by the
6 trustee's death, resignation, or removal and the person appointed
7 to fill the vacancy shall serve the remainder of the unexpired term
8 of the replaced trustee and may not serve beyond the expiration of
9 the unexpired term unless appointed by the mayor.

10 (d) To serve as a trustee under Subsection (c)(3) of this
11 section, a person must be a member with at least five years of
12 credited service and be elected by the active members of the pension
13 system voting at an election called by the pension board. No more
14 than two of the employee trustees may be employees of the same
15 department.

16 (g) To serve as a trustee under Subsection (c)(4) of this
17 section, a person must be elected by a majority of the retirees
18 voting [~~retired members of the pension system~~] at an election
19 called by the pension board.

20 (j) To serve as a trustee under Subsection (c)(5) of this
21 section, the person must be appointed by a vote of a majority of the
22 elected trustees of the pension board. The trustee appointed under
23 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year
24 [~~two-year~~] term. The appointment or reappointment of the appointed
25 trustee shall take place in July [~~January~~] of the [~~each~~
26 ~~even-numbered~~] year in which the term ends. The appointed trustee
27 may be removed at any time by a vote of a majority of the elected

1 trustees of the pension board. A vacancy caused by the appointed
2 trustee's death, resignation, or removal shall be filled by the
3 elected trustees of the pension board. The appointee serves for the
4 remainder of the unexpired term of the replaced trustee. An
5 appointed trustee may not serve beyond the expiration of the
6 three-year [~~two-year~~] term unless a majority of [~~other than by~~
7 ~~appointment for a new term by~~] the elected trustees of the pension
8 board reappoint the trustee for a new term.

9 (j-1) Each trustee appointed under Subsection (c)(6) of
10 this section shall serve three-year terms expiring in July of the
11 applicable year. A trustee appointed under Subsection (c)(6) of
12 this section may be removed at any time by a vote of a majority of
13 the members of the governing body of the city. A vacancy caused by
14 the appointed trustee's death, resignation, or removal shall be
15 filled by a vote of a majority of the members of the governing body
16 of the city. A person appointed to fill the vacancy shall serve the
17 remainder of the unexpired term of the replaced trustee, and may not
18 serve beyond the expiration of the unexpired term unless appointed
19 by the mayor.

20 (j-2) If a majority of the pension board determines that a
21 trustee appointed under Subsection (c)(1), (2), or (6) of this
22 section has acted or is acting in a manner that conflicts with the
23 interests of the pension system or is in violation of this Act or
24 any agreement between the pension board and the city entered into
25 under Section 3(n) of this Act, the pension board may recommend to
26 the mayor, controller, or governing body, as appropriate, that the
27 appointed trustee be removed from the pension board. If the

1 appointed trustee was appointed by the governing body of the city,
2 an action item concerning the pension board's recommendation shall
3 be placed on the governing body's agenda for consideration and
4 action. The governing body shall make a determination on the
5 recommendation and communicate the determination to the pension
6 system not later than the 45th day after the date of the
7 recommendation.

8 (1) To serve on the pension board, each ~~[Each]~~ trustee
9 shall, at the first pension board meeting following the trustee's
10 most recent election or appointment, take an oath of office that the
11 trustee:

12 (1) will diligently and honestly administer the
13 pension system; and

14 (2) will not knowingly violate this Act or willingly
15 allow a violation of this Act to occur.

16 (n) The person serving as a trustee under Subsection (c)(2)
17 of this section serves as the treasurer of the pension fund ~~[under~~
18 ~~penalty of that person's official bond and oath of office]~~. The
19 treasurer shall file an ~~[That person's]~~ official bond payable to
20 the ~~[city shall cover the person's position as treasurer of the]~~
21 pension system. The treasurer is ~~[fund, and that person's sureties~~
22 ~~are]~~ liable on ~~[for]~~ the treasurer's official bond for the faithful
23 performance of the treasurer's duties under this Act in connection
24 with ~~[actions pertaining to]~~ the pension fund ~~[to the same extent as~~
25 ~~the sureties are liable under the terms of the bond for other~~
26 ~~actions and conduct of the treasurer]~~.

27 (ee) A trustee appointed under Subsection (c)(1), (2), (5),

1 or (6) of this section who fails to attend at least 50 percent of all
2 regular pension board meetings, as determined annually each July 1,
3 may be removed from the pension board by the appointing entity. A
4 trustee removed under this subsection may not be appointed as a
5 trustee for one year following removal.

6 (ff) All trustees appointed under Subsection (c) of this
7 section shall complete minimum educational training requirements
8 established by the State Pension Review Board. The appointing
9 entity may remove an appointed trustee who does not complete
10 minimum educational training requirements during the period
11 prescribed by the State Pension Review Board.

12 (gg) The pension board shall adopt an ethics policy
13 governing, among other matters, conflicts of interest, including
14 standards of ethical conduct and disclosure requirements,
15 applicable to:

16 (1) trustees;

17 (2) employees; and

18 (3) any contractors or categories of contractors that
19 the pension board determines provide:

20 (A) any advice or opinion to the pension system
21 that is the basis for a significant decision or action by or on
22 behalf of the pension system; or

23 (B) significant services to the pension system
24 that relate to the administration and operation of the pension
25 system.

26 (hh) During a trustee's term on the pension board and for
27 one year after leaving the pension board, a trustee may not

1 represent any other person or organization in any formal or
2 informal appearance before the pension board or pension system
3 staff concerning a matter for which the person has or had
4 responsibility as a trustee.

5 (ii) The pension board may establish standing or temporary
6 committees as necessary to assist the board in carrying out its
7 business, including committees responsible for risk management or
8 governance, investments, administration and compensation,
9 personnel issues, financial and actuarial matters, audits,
10 disability determinations, and agreements under Section 3(n) of
11 this Act. If the pension board establishes a committee responsible
12 for agreements under Section 3(n) of this Act, the committee must be
13 a committee of the elected trustees and the trustee appointed by the
14 elected trustees. Except for a committee responsible for
15 agreements under Section 3(n) of this Act and any committee
16 responsible for personnel issues:

17 (1) each committee must include at least one elected
18 trustee and one trustee appointed by the mayor, controller, or
19 governing body of the city;

20 (2) committee meetings are open to all trustees; and

21 (3) a committee may not make final decisions and may
22 only make recommendations to the pension board.

23 (jj) Subsections (x)(1) through (4), (y), and (cc) of this
24 section do not grant the pension board authority to take any action
25 that conflicts or interferes with application of Sections 8A
26 through 8F of this Act.

27 SECTION 3.04. Chapter 88 (H.B. 1573), Acts of the 77th

1 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
2 Civil Statutes), is amended by adding Sections 2A, 2B, 2C, and 2D to
3 read as follows:

4 Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or
5 appearance of a conflict of interest on the part of any trustee is
6 detrimental to the proper functioning of the pension system if not
7 properly addressed. An appointed trustee may not deliberate or
8 vote on an action relating to the investment of pension system
9 assets if:

10 (1) the trustee or an entity with which the trustee is
11 affiliated is:

12 (A) a competitor or an affiliate of the person or
13 firm that is the subject of or otherwise under consideration in the
14 action; or

15 (B) likely would be subject to a due diligence
16 review by the person or firm that is under consideration in the
17 investment-related action; or

18 (2) the pension board otherwise determines that the
19 proposed action would create a direct or indirect benefit for the
20 appointed trustee or a firm with which the appointed trustee is
21 affiliated.

22 (b) The city attorney shall:

23 (1) provide annual training to trustees appointed by
24 the city regarding conflicts of interest; and

25 (2) to the extent authorized by city ordinances, at
26 the request of an external affairs committee if established in
27 accordance with Section 2(ii) of this Act, review and take

1 appropriate action on a complaint alleging a conflict of interest
2 on the part of a city-appointed trustee.

3 Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS. (a)
4 The pension board shall hire an actuary or actuarial firm for
5 purposes of this Act.

6 (b) At least annually, the pension system actuary shall make
7 a valuation of the assets and liabilities of the pension fund. The
8 valuation must include the risk sharing valuation study conducted
9 under Section 8B or 8C of this Act, as applicable.

10 (c) The actuary or actuarial firm shall provide a report of
11 the valuation to the city.

12 Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
13 hired by the city for purposes of this Act must be an actuary from a
14 professional service firm who:

15 (1) is not already engaged by the pension system or any
16 other pension system or fund authorized under Articles 6243e.2(1)
17 or 6243g-4, Revised Statutes, to provide actuarial services to the
18 pension system or fund, as applicable;

19 (2) has a minimum of 10 years of professional
20 actuarial experience; and

21 (3) is a fellow of the Society of Actuaries or a member
22 of the American Academy of Actuaries and who, in carrying out duties
23 for the city, has met the applicable requirements to issue
24 statements of actuarial opinion.

25 (b) Notwithstanding Subsection (a) of this section, the
26 city actuary does not need to meet any greater qualifications than
27 those qualifications required of the pension system actuary.

1 Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
2 CONSULTANT. (a) At least once every three years, the board shall
3 hire an independent investment consultant, including an
4 independent investment consulting firm, to conduct a review of
5 pension system investments and submit a report to the board and the
6 city concerning the review or demonstrate in the pension system's
7 annual financial report that the review was conducted. The
8 independent investment consultant shall review and report on at
9 least the following:

10 (1) the pension system's compliance with its
11 investment policy statement, ethics policies, including policies
12 concerning the acceptance of gifts, and policies concerning insider
13 trading;

14 (2) the pension system's asset allocation, including a
15 review and discussion of the various risks, objectives, and
16 expected future cash flows;

17 (3) the pension system's portfolio structure,
18 including the system's need for liquidity, cash income, liquid
19 returns, and inflation protection and the active, passive, or index
20 approaches used for different portions of the portfolio;

21 (4) investment manager or advisor performance reviews
22 and an evaluation of the processes used to select and evaluate
23 managers;

24 (5) benchmarks used for each asset class and
25 individual manager;

26 (6) an evaluation of fees and trading costs;

27 (7) an evaluation of investments in any leverage,

1 foreign exchange, or other hedging transaction; and

2 (8) an evaluation of investment-related disclosures
3 in the pension system's annual reports or valuations.

4 (b) When the board retains an independent investment
5 consultant under this section, the pension system may require the
6 consultant to agree in writing to maintain the confidentiality of:

7 (1) information provided to the consultant that is
8 reasonably necessary to conduct a review under this section; and

9 (2) any nonpublic information provided for the pension
10 system for the audit.

11 (c) The costs for the investment report required by this
12 section shall be paid from the pension fund.

13 SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the
14 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
15 Texas Civil Statutes), is amended by amending Subsections (f) and
16 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as
17 follows:

18 (f) The pension board shall compensate from the pension fund
19 the persons performing services under Subsections (d) and (e) of
20 this section and may provide other employee benefits that the
21 pension board considers proper. Any person employed by the pension
22 board under Subsection (d) or (e) of this section who has service
23 credits with the pension system at the time of the person's
24 employment by the pension board retains the person's status in the
25 pension system. Any person employed by the pension system who does
26 not have service credits with the pension system at the time of
27 employment is a group D [~~A~~] member. The pension board shall adopt a

1 detailed annual budget detailing its proposed administrative
2 expenditures under this subsection for the next fiscal year.

3 (n) Notwithstanding any other law and except as
4 specifically limited by Subsection (o) of this section, the pension
5 board may enter into a written agreement with the city regarding
6 pension issues and benefits. The agreement must be approved by the
7 pension board and the governing body of the city and signed by the
8 mayor and by the pension board or the pension board's designee. The
9 agreement is enforceable against and binding on the pension board,
10 the city, and the pension system, including the pension system's
11 members, retirees, deferred participants, beneficiaries, eligible
12 survivors, and alternate payees. Any reference in this Act to an
13 agreement between the city and the pension board or pension system
14 is a reference to an agreement entered under this subsection.

15 (o) In any written agreement entered into between the city
16 and the pension board under Subsection (n) of this section, the
17 parties may not:

18 (1) fundamentally alter Sections 8A through 8F of this
19 Act;

20 (2) increase the assumed rate of return to more than
21 seven percent per year;

22 (3) extend the amortization period of a liability
23 layer to more than 30 years from the first day of the fiscal year
24 beginning 12 months after the date of the risk sharing valuation
25 study in which the liability layer is first recognized; or

26 (4) allow a city contribution rate in any year that is
27 less than the city contribution rate required under Section 8E or

1 8F, as applicable, of this Act.

2 (p) Annually on or before the end of the fiscal year, the
3 pension board shall make a report to the mayor and the governing
4 body of the city, each of which shall provide a reasonable
5 opportunity for the pension board to prepare and present the
6 report.

7 (q) The pension board shall provide quarterly investment
8 reports to the mayor.

9 (r) At the mayor's request, the pension board shall meet,
10 discuss, and analyze with the mayor or the mayor's representatives
11 any city proposed policy changes and ordinances that may have a
12 financial effect on the pension system.

13 (s) The pension board shall work to reduce administrative
14 and investment expenses, including by cooperating with any other
15 pension fund to which the city contributes.

16 SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the
17 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
18 Texas Civil Statutes), is amended by amending Subsections (b), (e),
19 (f), and (g) and adding Subsections (j), (k), and (l) to read as
20 follows:

21 (b) Except as provided by Subsection (c), (j), or (k) of
22 this section and Sections 4 and 6 of this Act, an employee or
23 elected official is a group A member of the pension system as a
24 condition of employment or service if the employee or elected
25 official, as applicable:

26 (1) is hired or rehired as an employee by the city, the
27 predecessor system, or the pension system on or after September 1,

1 1999, and before January 1, 2008;

2 (1-a) is elected, hired, or rehired as an executive
3 official on or after January 1, 2005, and before January 1, 2008;

4 (2) was a member of the predecessor system before
5 September 1, 1981, under the terms of Chapter 358, Acts of the 48th
6 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
7 Civil Statutes), and did not make an election before December 1,
8 1981, under Section 22(a) of that Act to receive a refund of
9 contributions and become a group B member;

10 (3) was a group A member who terminated employment
11 included in the predecessor system before May 3, 1991, elected
12 under Section 16, Chapter 358, Acts of the 48th Legislature,
13 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
14 Statutes), to leave the member's contributions in that pension
15 fund, met the minimum service requirements for retirement at an
16 attained age, was reemployed in a position included in the
17 predecessor system before September 1, 1999, and elected, not later
18 than the 30th day after the date reemployment began, to continue as
19 a group A member;

20 (4) became a member of, or resumed membership in, the
21 predecessor system as an employee or elected official of the city
22 after January 1, 1996, and before September 1, 1999, and elected by
23 submission of a signed and notarized form in a manner determined by
24 the pension board to become a group A member and to contribute a
25 portion of the person's salary to the pension fund as required by
26 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943
27 (Article 6243g, Vernon's Texas Civil Statutes); or

1 (5) met the requirements of Section 3B, Chapter 358,
2 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
3 Vernon's Texas Civil Statutes), or Subsection (f) of this section
4 for membership in group A.

5 (e) Any member or former member of the pension system
6 elected to an office of the city on or after September 1, 1999, and
7 before January 1, 2008, is [~~becomes~~] a group A member and is
8 eligible to receive credit for all previous service on the same
9 conditions as reemployed group A members under Sections 7(c), (d),
10 (e), and (f) of this Act, except as otherwise provided by this Act.
11 Notwithstanding any other provision in this Act and for purposes of
12 this subsection [~~or in Chapter 358, Acts of the 48th Legislature,~~
13 ~~Regular Session, 1943 (Article 6243g, Vernon's Texas Civil~~
14 ~~Statutes)~~], consecutive terms of office of any elected member who
15 is elected to an office of the city are considered to be continuous
16 employment for purposes of this Act.

17 (f) Each group B member of the pension system may make an
18 irrevocable election on a date and in a manner determined by the
19 pension board to change membership from group B to group A:

20 (1) for future service only; or

21 (2) for future service and to convert all past group B
22 service to group A service and comply with the requirements of
23 Subsection (h) of this section provided the service is converted
24 before December 31, 2005.

25 (g) Each group A member with service in group B may make an
26 irrevocable election not later than December 31, 2005, [~~on a date~~]
27 and in a manner determined by the pension board to convert all group

1 B service to group A service and to comply with the requirements of
2 Subsection (h) of this section.

3 (j) Except as provided by Subsection (k) of this section or
4 Section 4 or 6 of this Act, an employee or elected official is a
5 group D member of the pension system as a condition of employment or
6 service if the employee or elected official, as applicable:

7 (1) is hired as an employee by the city or the pension
8 system on or after January 1, 2008; or

9 (2) is elected, hired, or rehired as an executive
10 official on or after January 1, 2008.

11 (k) Notwithstanding any provision of this section, for
12 purposes of Subsection (j) of this section:

13 (1) consecutive terms of office of an elected member
14 who is elected to an office of the city are considered to be
15 continuous employment;

16 (2) a former employee who is rehired as an employee by
17 the city or the pension system on or after January 1, 2008, is, as a
18 condition of employment, a member of the group in which that
19 employee participated at the time immediately preceding the
20 employee's separation from service; and

21 (3) any member or former member of the pension system
22 elected to an office of the city on or after January 1, 2008, is a
23 member of the group in which that elected member participated at the
24 time immediately preceding the elected member's separation from
25 service.

26 (l) For purposes of this section, "executive official" has
27 the meaning assigned by Section 6(b) of this Act.

1 SECTION 3.07. Section 6, Chapter 88 (H.B. 1573), Acts of the
2 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
3 Texas Civil Statutes), is amended by amending Subsections (a), (c),
4 and (h) and adding Subsections (a-1), (a-2), and (a-3) to read as
5 follows:

6 (a) Except as provided by Section 4 of this Act, an employee
7 or elected official is a [A] group C member of the pension system if
8 the employee or elected official, as applicable, is elected, hired,
9 or rehired as an executive official on or after September 1, 1999,
10 and before January 1, 2005.

11 (a-1) A group C member is subject to the provisions that
12 apply to group A or group D members under this Act, as applicable,
13 except as otherwise provided by this section.

14 (a-2) Notwithstanding any other provision of this Act, an
15 executive official who is a group A member under this Act shall earn
16 pension service in accordance with Subsection (d) of this section
17 for service performed before January 1, 2005. An executive
18 official described by this section remains subject to other
19 provisions of this Act governing group A members, including the
20 retirement eligibility provisions of Section 10 of this Act.

21 (a-3) Subsections (a), (a-1), and (a-2) of this section do
22 not affect:

23 (1) any credited service or benefit percentage accrued
24 in group C before January 1, 2005;

25 (2) any group C benefit that a deferred participant or
26 retiree is eligible to receive that was earned before January 1,
27 2005; or

1 (3) the terms and obligations of any service purchase
2 obligation to convert service to group C that was made before
3 January 1, 2005.

4 (c) An executive official becomes a member of group C on the
5 official's effective date of participation in group C, except that
6 a group A, ~~or~~ group B, or group D member who is participating in
7 the DROP under Section 12 of this Act is ineligible to become a
8 member of group C.

9 (h) This section applies to a member only while the member
10 is an eligible executive official. A member who ceases to be an
11 executive official and transfers to or is rehired into a municipal
12 position covered by group A participates in group A or group D, as
13 applicable, does not forfeit group C service, and remains eligible
14 for normal retirement for group C service as provided under
15 Subsection (e) of this section. A former group C member is not
16 eligible to participate in group B.

17 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the
18 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
19 Texas Civil Statutes), is amended by amending Subsections (a), (c),
20 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),
21 (j), (k), and (l) to read as follows:

22 (a) Notwithstanding any other provision of this Act,
23 duplication of service or credited service in group A, B, ~~or~~ C, or
24 D of the pension system or in the pension system and any other
25 defined benefit pension plan to which the city contributes is
26 prohibited.

27 (c) Except as provided by Section 12 of this Act, a ~~group A~~

1 member may pay into the pension fund and obtain credit for any
2 service with the city or the pension system for which credit is
3 otherwise allowable [~~in group A~~] under this Act, except that:

4 (1) no required contributions were made by the member
5 for the service; or

6 (2) refunded contributions attributable to the
7 service have not been subsequently repaid.

8 (e) To establish service described by Subsection (c) of this
9 section that occurred on or after September 1, 1999, the member
10 shall pay a sum computed by multiplying the member's salary during
11 the service by the rate established [~~by the pension board~~] for
12 member contributions under Section 8 of this Act, and the city shall
13 pay into the pension fund an amount equal to the rate established
14 for city contributions under Section 8 of this Act [~~multiplied by~~
15 ~~that member's salary for the same period~~].

16 (f) In addition to the amounts to be paid by the member under
17 Subsection (d) or (e) of this section, the member shall also pay
18 interest on those amounts at the current assumed rate of return [~~six~~
19 ~~percent~~] per year, not compounded, from the date the contributions
20 would have been deducted, if made, or from the date contributions
21 were refunded to the date of repayment of those contributions into
22 the pension fund.

23 (g) Before the year 2017 effective date, if [~~If~~] a group B or
24 group D member separates from service before completing five years
25 of credited service, the member's service credit is canceled at the
26 time of separation. If the member is reemployed by the city in a
27 position covered by the pension system before the first anniversary

1 of the date of separation, all credit for previous service is
2 restored. Any member whose service credit is canceled under this
3 subsection and who is reemployed by the city in a position covered
4 by the pension system after the first anniversary of the date of
5 separation receives one year of previous service credit in group B
6 or group D, as applicable, for each full year of subsequent service
7 up to the amount of the previous service that was canceled.

8 (g-1) On or after the year 2017 effective date, if a group B
9 or group D member who has made required member contributions
10 separates from service before completing five years of credited
11 service, the member's service credit is canceled at the time of
12 separation and the member is eligible to receive a refund of
13 required member contributions as provided by Section 17 of this
14 Act. If the member is reemployed before the first anniversary of
15 the date of separation:

16 (1) subject to Subdivision (2) of this subsection, all
17 credit for previous service for which no member contributions were
18 required is restored, along with credit for previous service for
19 which the member did not receive a refund of contributions; and

20 (2) if the member's service credit is canceled under
21 this subsection, the member is eligible to reinstate the canceled
22 credited service by paying the pension system the refund amount, if
23 any, plus interest on those amounts at the current assumed rate of
24 return per year, not compounded, from the date contributions were
25 refunded to the date of repayment of those contributions to the
26 pension fund.

27 (g-2) For purposes of Subsection (g-1)(2) of this section,

1 for any canceled service for which contributions were not required,
2 the member receives one year of previous service credit in group B
3 or group D, as appropriate, for each full year of subsequent service
4 up to the amount of the previous service that was canceled.

5 (h) A group B member who was a group A member before
6 September 1, 1981, and who was eligible to purchase credit for
7 previous service under Chapter 358, Acts of the 48th Legislature,
8 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
9 Statutes), may purchase the service credit in group B by paying into
10 the pension fund an amount equal to the assumed rate of return [~~six~~
11 ~~percent~~] per year, not compounded, on any contributions previously
12 withdrawn for the period from the date of withdrawal to the date of
13 purchase.

14 (i) Under rules and procedures adopted by the pension board,
15 a group D member may effectuate a direct trustee-to-trustee
16 transfer from a qualifying code Section 457(b) plan to the pension
17 system to purchase an increased or enhanced benefit in accordance
18 with the provisions of code Sections 415(n) and 457(e)(17) of the
19 Internal Revenue Code of 1986. The amount transferred under this
20 subsection shall be held by the pension system and the pension
21 system may not separately account for the amount. The pension board
22 by rule shall determine the additional service credit and benefit
23 that a member is entitled to based on a transfer under this
24 subsection.

25 (j) For purposes of this subsection and Subsection (k),
26 "furlough time" means the number of days a person has been
27 furloughed. A person who has been voluntarily or involuntarily

1 furloughed shall receive credited service for each day that the
2 person has been furloughed, provided that:

3 (1) the pension system receives all required city
4 contributions and member contributions for the credited service
5 attributable to the furlough time for the pay period in which the
6 furlough occurs, based on the regular salary that each furloughed
7 member would have received if the member had worked during the
8 furlough time;

9 (2) the member may receive not more than 10 days of
10 credited service in a fiscal year for furlough time; and

11 (3) credited service for furlough time may not be used
12 to meet the five-year requirement under Section 10(b) of this Act
13 for eligibility for a benefit.

14 (k) For purposes of Subsection (j) of this section, the city
15 shall establish a unique pay code for furlough time to provide for
16 timely payment of city contributions and member contributions for
17 furlough time and to allow the pension system to identify furlough
18 time for each furloughed employee.

19 (l) Notwithstanding any provision of this section, the
20 interest rate on any service purchase shall be the then current
21 assumed rate of return, not compounded.

22 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.
23 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
24 6243h, Vernon's Texas Civil Statutes), is amended to read as
25 follows:

26 Sec. 8. MEMBER CONTRIBUTIONS.

27 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.

1 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
2 6243h, Vernon's Texas Civil Statutes), are amended to read as
3 follows:

4 (a) Subject to adjustments authorized under Section 8E or 8F
5 of this Act, beginning on the year 2017 effective date, each [~~Each~~
6 ~~group A~~] member of the pension system shall make biweekly [~~monthly~~]
7 contributions during employment in an amount determined in
8 accordance with this section or Section 10A(a) of this Act [~~by the~~
9 ~~pension board and expressed as a percentage of salary~~]. The
10 contributions shall be deducted by the employer from the salary of
11 each member and paid to the pension system for deposit in the
12 pension fund. Member contributions under this section shall be
13 made as follows:

14 (1) each group A member shall contribute:

15 (A) seven percent of the member's salary
16 beginning with the member's first full biweekly pay period that
17 occurs on or after the year 2017 effective date; and

18 (B) eight percent of the member's salary
19 beginning with the member's first full biweekly pay period for the
20 member that occurs on or after July 1, 2018;

21 (2) each group B member shall contribute:

22 (A) two percent of the member's salary beginning
23 with the member's first full biweekly pay period that occurs on or
24 after the year 2017 effective date; and

25 (B) four percent of the member's salary beginning
26 with the member's first full biweekly pay period for the member that
27 occurs on or after July 1, 2018; and

1 (3) subject to Section 10A(a) of this Act, each group D
2 member shall contribute two percent of the member's salary
3 beginning with the member's first full biweekly pay period that
4 occurs on or after the year 2017 effective date.

5 (b) This section does not increase or decrease the
6 contribution obligation of any member that arose before the year
7 2017 effective date [~~September 1, 2001,~~] or give rise to any claim
8 for a refund for any contributions made before that date.

9 (c) The city [~~employer~~] shall pick up the contributions
10 required of [~~group A~~] members by Subsection (a) of this section and
11 contributions required of group D members under Section 10A(a) of
12 this Act as soon as reasonably practicable under applicable rules
13 for all salaries earned by members after the year 2017 effective
14 date and by January 1, 2018, for contributions required by Section
15 10A(a) of this Act. The city shall pay the pickup contributions to
16 the pension system from the same source of funds that is used for
17 paying salaries to the members. The pickup contributions are in
18 lieu of contributions by [~~group A~~] members. The city may pick up
19 those contributions by a deduction from each [~~group A~~] member's
20 salary equal to the amount of the member's contributions picked up
21 by the city. Members may not choose to receive the contributed
22 amounts directly instead of having the contributed amounts paid by
23 the city to the pension system. An accounting of member
24 contributions picked up by the employer shall be maintained, and
25 the contributions shall be treated for all other purposes as if the
26 amount were a part of the member's salary and had been deducted
27 under this section. Contributions picked up under this subsection

1 shall be treated as employer contributions in determining tax
2 treatment of the amounts under the Internal Revenue Code of 1986, as
3 amended.

4 SECTION 3.11. Chapter 88 (H.B. 1573), Acts of the 77th
5 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
6 Civil Statutes), is amended by adding Sections 8A, 8B, 8C, 8D, 8E,
7 8F, 8G, and 8H to read as follows:

8 Sec. 8A. CITY CONTRIBUTIONS. (a) The city shall make
9 contributions to the pension system for deposit into the pension
10 fund as provided by this section and Section 8C, 8E, or 8F of this
11 Act, as applicable. The city shall contribute:

12 (1) except by written agreement between the city and
13 the pension board under Section 3(n) of this Act providing for an
14 earlier contribution date, beginning with the year 2017 effective
15 date and ending with the fiscal year ending June 30, 2018, an
16 amount, as determined in the initial risk sharing valuation study
17 conducted under Section 8C of this Act, equal to the sum of:

18 (A) the city contribution rate multiplied by the
19 pensionable payroll for the fiscal year; and

20 (B) except as provided by Subsection (e) of this
21 section, the city contribution amount for the fiscal year; and

22 (2) for each fiscal year after the fiscal year ending
23 June 30, 2018, an amount, as determined in the subsequent risk
24 sharing valuation study conducted under Section 8B of this Act,
25 equal to the sum of:

26 (A) the city contribution rate multiplied by the
27 pensionable payroll for the applicable fiscal year; and

1 (B) except as provided by Subsection (e) of this
2 section, the city contribution amount for the applicable fiscal
3 year.

4 (b) At least biweekly, the city shall make the contributions
5 required by Subsection (a) of this section by depositing with the
6 pension system an amount equal to the sum of:

7 (A) the city contribution rate multiplied by the
8 pensionable payroll for the biweekly period; and

9 (B) the city contribution amount for the
10 applicable fiscal year divided by 26.

11 (c) Subject to Section 8E or 8F of this Act, the city
12 contribution rate:

13 (1) except as provided by Subdivision (2) of this
14 subsection, is a percent that equals the sum of the employer normal
15 cost rate and the amortization rate for all liability layers; and

16 (2) may not exceed the maximum contribution rate or be
17 less than the minimum contribution rate.

18 (d) With respect to each fiscal year:

19 (1) the first contribution by the city under this
20 section for the fiscal year shall be made not later than the date
21 payment is made to employees for their first full biweekly pay
22 period beginning on or after the first day of the fiscal year; and

23 (2) the final contribution by the city under this
24 section for the fiscal year shall be made not later than the date
25 payment is made to employees for the final biweekly pay period of
26 the fiscal year.

27 (e) In addition to the amounts required under this section,

1 the city may at any time contribute additional amounts to the
2 pension system for deposit in the pension fund by entering into a
3 written agreement with the pension board in accordance with Section
4 3(n) of this Act.

5 (f) If, in any given fiscal year, the funded ratio is
6 greater than or equal to 100 percent, the city contribution under
7 this section may not include the city contribution amount.

8 (g) Contributions made under this section by the city to the
9 pension system shall only be credited against any amortization
10 schedule of payments due to the pension system under this Act.

11 (h) Subsection (g) of this section does not affect the
12 exclusion of contribution amounts under Subsection (f) of this
13 section or changes to an amortization schedule of a liability layer
14 under Section 8B(a)(5)(F), 8C(i), or 8E(c)(3)-(4) of this Act.

15 Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension
16 system and the city shall prepare a risk sharing valuation study in
17 accordance with this section. A risk sharing valuation study must:

18 (1) be included in the annual valuation study prepared
19 under Section 2B of this Act;

20 (2) calculate the unfunded actuarial accrued
21 liability of the pension system consistent with actuarial standards
22 of practice and based on actuarial data or estimates of actuarial
23 data provided by the pension system actuary;

24 (3) estimate the city contribution rate by making
25 adjustments to the calculation of the rate that do not require
26 agreement between the city and the pension board under Section 8E or
27 8F of this Act;

1 (4) detail the total city contribution before and
2 after any adjustments required under Section 8E or 8F of this Act;

3 (5) subject to Subsection (g) of this section, be
4 based on assumptions and methods determined based on the most
5 recent actuarial experience study conducted under Section 8D of
6 this Act, provided the following assumptions and methods are used:

7 (A) an ultimate entry age normal actuarial
8 method;

9 (B) for purposes of determining the actuarial
10 value of assets:

11 (i) except as provided by Subparagraph (ii)
12 of this paragraph and Section 8E(c)(1) or 8F(c)(1) of this Act, an
13 asset smoothing method recognizing actuarial losses and gains over
14 a five-year period applied prospectively beginning on the year 2017
15 effective date; and

16 (ii) for the initial risk sharing valuation
17 study prepared under Section 8C of this Act, a marked-to-market
18 method applied as of June 30, 2016;

19 (C) closed layered amortization of liability
20 layers to ensure that the amortization period for each layer begins
21 12 months after the date of the risk sharing valuation study in
22 which the liability layer is first recognized;

23 (D) each liability layer is assigned an
24 amortization period;

25 (E) each liability loss layer amortized over a
26 period of 30 years from the first day of the fiscal year beginning
27 12 months after the date of the risk sharing valuation study in

1 which the liability loss layer is first recognized, except that the
2 legacy liability must be amortized from July 1, 2016, for a 30-year
3 period beginning July 1, 2017;

4 (F) the amortization period for each liability
5 gain layer being:

6 (i) equal to the remaining amortization
7 period on the largest remaining liability loss layer and the two
8 layers must be treated as one layer such that if the payoff year of
9 the liability loss layer is accelerated or extended, the payoff
10 year of the liability gain layer is also accelerated or extended; or

11 (ii) if there is no liability loss layer, a
12 period of 30 years from the first day of the fiscal year beginning
13 12 months after the date of the risk sharing valuation study in
14 which the liability gain layer is first recognized;

15 (G) liability layers, including the legacy
16 liability, funded according to the level percent of payroll method;

17 (H) the assumed rate of return, subject to
18 adjustment under Section 8E(c)(5) of this Act or, if Section 8C(g)
19 of this Act applies, adjustment in accordance with a written
20 agreement entered into under Section 3(n) of this Act;

21 (I) the price inflation assumption, which may be
22 adjusted by plus or minus 50 basis points by the pension board based
23 on the most recent actuarial experience study;

24 (J) projected salary increases and payroll
25 growth rate set in consultation with the city's finance director;

26 (K) payroll for purposes of determining the
27 corridor midpoint, city contribution rate, and city contribution

1 amount must be projected using the annual payroll growth rate
2 assumption; and

3 (L) the city contribution rate calculated
4 without inclusion of the legacy liability; and

5 (6) be revised and restated, if appropriate, not later
6 than the 30th day after the date of a written agreement between the
7 city and the pension board authorized under Section 3(n) of this
8 Act.

9 (b) As soon as practicable after the end of a fiscal year,
10 the pension system actuary at the direction of the pension system
11 and the city actuary at the direction of the city shall separately
12 prepare a proposed risk sharing valuation study based on the fiscal
13 year that just ended.

14 (c) Not later than October 31 following the end of the
15 fiscal year, the pension system shall provide to the city actuary,
16 under a confidentiality agreement in which the city actuary agrees
17 to comply with the confidentiality provisions of Section 8G of this
18 Act, the actuarial data described by Subsection (a)(2) of this
19 section.

20 (d) Not later than the 150th day after the last day of the
21 fiscal year:

22 (1) the pension system actuary, at the direction of
23 the pension system, shall provide the proposed risk sharing
24 valuation study prepared by the pension system actuary under
25 Subsection (b) of this section to the city actuary; and

26 (2) the city actuary, at the direction of the city,
27 shall provide the proposed risk sharing valuation study prepared by

1 the city actuary under Subsection (b) of this section to the pension
2 system actuary.

3 (e) Each actuary described by Subsection (d) of this section
4 may provide copies of the proposed risk sharing valuation studies
5 to the city or the pension system as appropriate.

6 (f) If, after exchanging proposed risk sharing valuation
7 studies under Subsection (d) of this section, it is found that the
8 difference between the projected city contribution rate in the
9 proposed risk sharing valuation study prepared by the pension
10 system actuary and the projected city contribution rate in the risk
11 sharing valuation study prepared by the city actuary for the
12 corresponding fiscal year is:

13 (1) less than or equal to two percentage points, the
14 city contribution rate proposed by the pension system actuary will
15 be used, and the risk sharing valuation study prepared by the
16 pension system is considered to be the final risk sharing valuation
17 study for the fiscal year for the purposes of this Act; or

18 (2) greater than two percentage points, the city
19 actuary and the pension system actuary shall have 20 business days
20 to reconcile the difference, provided that without the mutual
21 agreement of both actuaries, the difference in the city
22 contribution rate calculated by the city actuary and the city
23 contribution rate calculated by the pension system actuary may not
24 be further increased and:

25 (A) if, as a result of reconciliation efforts
26 under this subdivision, the difference is reduced to less than or
27 equal to two percentage points:

1 (i) the city contribution rate proposed
2 under the reconciliation by the pension system actuary will be
3 used; and

4 (ii) the pension system's risk sharing
5 valuation study is considered to be the final risk sharing
6 valuation study for the fiscal year for the purposes of this Act; or

7 (B) if, after 20 business days, the pension
8 system actuary and the city actuary are not able to reach a
9 reconciliation that reduces the difference to an amount less than
10 or equal to two percentage points, then:

11 (i) the city actuary at the direction of the
12 city and the pension system actuary at the direction of the pension
13 system each shall deliver to the finance director of the city and
14 the executive director of the pension system a final risk sharing
15 valuation study with any agreed-to changes, marked as the final
16 risk sharing valuation study for each actuary; and

17 (ii) not later than the 90th day before the
18 first day of the next fiscal year, the finance director and the
19 executive director shall execute a joint addendum to the final risk
20 sharing valuation study received under Subparagraph (i) of this
21 paragraph that is a part of the final risk sharing valuation study
22 for the fiscal year for all purposes and reflects the arithmetic
23 average of the city contribution rates for the fiscal year stated in
24 the final risk sharing valuation study.

25 (g) The assumptions and methods used and the types of
26 actuarial data and financial information used to prepare the
27 initial risk sharing valuation study under Section 8C of this Act

1 shall be used to prepare each subsequent risk sharing valuation
2 study under this section, unless changed based on the actuarial
3 experience study conducted under Section 8D of this Act.

4 (h) The actuarial data provided under Subsection (a)(2) of
5 this section may not include the identifying information of
6 individual members.

7 Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
8 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system and
9 the city shall separately prepare an initial risk sharing valuation
10 study that is dated as of July 1, 2016, in accordance with this
11 section. An initial risk sharing valuation study must:

12 (1) except as otherwise provided by this section, be
13 prepared in accordance with Section 8B of this Act, and for purposes
14 of Section 8B(a)(2) of this Act, be based on actuarial data as of
15 June 30, 2016;

16 (2) project the corridor midpoint for 31 fiscal years
17 beginning with the fiscal year beginning July 1, 2017; and

18 (3) subject to Subsections (i), (j), and (k) of this
19 section, include a schedule of city contribution amounts for 30
20 fiscal years beginning with the fiscal year beginning July 1, 2017.

21 (b) If the following actions are not taken before the year
22 2017 effective date, as soon as practicable after the year 2017
23 effective date:

24 (1) the pension system shall provide to the city
25 actuary under a confidentiality agreement the actuarial data needed
26 to prepare the proposed initial risk sharing valuation study;

27 (2) not later than the 30th day after the date the

1 city's actuary receives the actuarial data:

2 (A) the city actuary, at the direction of the
3 city, shall provide a proposed initial risk sharing valuation study
4 to the pension system actuary; and

5 (B) the pension system actuary, at the direction
6 of the pension system, shall provide a proposed initial risk
7 sharing valuation study to the city actuary; and

8 (3) the city actuary and the pension system actuary
9 shall adopt an initial risk sharing valuation study in accordance
10 with Subsection (c) of this section.

11 (c) If, after exchanging proposed initial risk sharing
12 valuation studies under Subsection (b)(2) of this section, it is
13 determined that the difference between the percentage rate computed
14 by dividing the projected total city contribution by the projected
15 pensionable payroll for any fiscal year in the proposed initial
16 risk sharing valuation study prepared by the pension system actuary
17 and in the proposed initial risk sharing valuation study prepared
18 by the city actuary is:

19 (1) less than or equal to two percentage points, the
20 city contribution rate and the city contribution amount for that
21 fiscal year as determined by the pension system actuary will be
22 used; or

23 (2) greater than two percentage points, the city
24 actuary and the pension system actuary shall have 20 business days
25 to reconcile the difference and:

26 (A) if, as a result of reconciliation efforts
27 under this subdivision, the difference in any fiscal year is

1 reduced to less than or equal to two percentage points, the city
2 contribution rate as determined by the pension system actuary for
3 that fiscal year will be used; or

4 (B) if, after 20 business days, the city actuary
5 and the pension system actuary are not able to reach a
6 reconciliation that reduces the difference to an amount less than
7 or equal to two percentage points for any fiscal year:

8 (i) the city actuary at the direction of the
9 city and the pension system actuary at the direction of the pension
10 system each shall deliver to the finance director of the city and
11 the executive director of the pension system a final initial risk
12 sharing valuation study with any agreed-to changes, marked as the
13 final initial risk sharing valuation study for each actuary; and

14 (ii) the finance director and the executive
15 director shall execute a joint addendum to the final initial risk
16 sharing valuation study that is a part of each final initial risk
17 sharing valuation study for all purposes and that reflects the
18 arithmetic average of the city contribution rate and the city
19 contribution amount for each fiscal year in which the difference
20 was greater than two percentage points.

21 (d) In preparing the initial risk sharing valuation study,
22 the city actuary and pension system actuary shall:

23 (1) adjust the actuarial value of assets to be equal to
24 the current market value of assets;

25 (2) assume the issuance of planned pension obligation
26 bonds by December 31, 2017; and

27 (3) assume benefit and contribution changes

1 contemplated by this article as of the year 2017 effective date.

2 (e) If the city actuary does not prepare an initial risk
3 sharing valuation study for purposes of this section, the pension
4 system actuary's initial risk sharing valuation study will be used
5 as the final risk sharing valuation study for purposes of this Act
6 unless the city did not prepare a proposed initial risk sharing
7 valuation study because the pension system actuary did not provide
8 the necessary actuarial data in a timely manner. If the city did not
9 prepare a proposed initial risk sharing valuation study because the
10 pension system actuary did not provide the necessary actuarial data
11 in a timely manner, the city actuary shall have 60 days to prepare
12 the proposed initial risk sharing valuation study on receipt of the
13 necessary information.

14 (f) If the pension system actuary does not prepare a
15 proposed initial risk sharing valuation study for purposes of this
16 section, the proposed initial risk sharing valuation study prepared
17 by the city actuary will be the final risk sharing valuation study
18 for purposes of this Act.

19 (g) The city and the pension board may agree under Section
20 3(n) of this Act on a transition plan for resetting the corridor
21 midpoint:

22 (1) if at any time the funded ratio is equal to or
23 greater than 100 percent; or

24 (2) for any fiscal year after the payoff year of the
25 legacy liability.

26 (h) If the city and the pension board have not entered into
27 an agreement described by Subsection (g) of this section in a given

1 fiscal year, the corridor midpoint will be the value determined in
2 the initial risk sharing valuation study prepared in accordance
3 with this section.

4 (i) Subject to Subsections (j) and (k) of this section, the
5 city contribution amount described by Subsection (a)(3) of this
6 section must be a predetermined payment amount expressed in dollars
7 under a payment schedule that amortizes the legacy liability using
8 the level percent of payroll method and the amortization period and
9 payoff year.

10 (j) If the city makes a contribution to the pension system
11 of at least \$5 million more than the amount that would be required
12 by Section 8A(a) of this Act, a liability gain layer with the same
13 remaining amortization period as the legacy liability is created.
14 In each subsequent risk sharing valuation study until the end of
15 that amortization period, the city contribution amount must be
16 decreased by the amortized amount in each fiscal year covered by the
17 liability gain layer.

18 (k) If the city fails to pay to the pension system the
19 proceeds of pension obligation bonds by December 31, 2017, the risk
20 sharing valuation study prepared for the fiscal year ending June
21 30, 2019, must reflect an adjustment to the city contribution
22 amount for the amortization period remaining for the legacy
23 liability to account for the undelivered bond proceeds, give credit
24 for amounts actually paid, and amortize any unpaid amounts over the
25 remaining amortization period for the legacy liability. The
26 adjusted city contribution amount under this subsection will, for
27 purposes of this Act, be considered the city contribution amount

1 established in the initial risk sharing valuation study and that
2 amount may be restated from time to time in subsequent risk sharing
3 valuation studies to reflect adjustments to the amortization
4 schedule authorized by Section 8E(c)(3) or 8F(c)(3) of this Act, or
5 the city contribution amount authorized by Subsection (i) or (j) of
6 this section.

7 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
8 every four years, the pension system actuary, at the direction of
9 the pension system, shall conduct an actuarial experience study.
10 The actuarial experience study required by this subsection must be
11 completed not later than September 30 of the year in which the study
12 is required to be conducted.

13 (b) Except as otherwise expressly provided by Section 8B of
14 this Act, actuarial assumptions and methods used in the preparation
15 of a risk sharing valuation study, other than the initial risk
16 sharing valuation study, shall be based on the results of the most
17 recent actuarial experience study.

18 (c) Not later than the 180th day before the date the pension
19 board may consider adopting any assumptions and methods for
20 purposes of Section 8B of this Act, the pension system shall provide
21 the city actuary with a substantially final draft of the pension
22 system's actuarial experience study, including:

23 (1) all assumptions and methods recommended by the
24 pension system actuary; and

25 (2) summaries of the reconciled actuarial data used in
26 creation of the actuarial experience study.

27 (d) Not later than the 60th day after the date the city

1 receives the final draft of the pension system's actuarial
2 experience study under Subsection (c) of this section, the city
3 actuary and pension system actuary shall confer and cooperate on
4 producing a final actuarial experience study. During the period
5 prescribed by this subsection, the pension system actuary may
6 modify the recommended assumptions in the draft actuarial
7 experience study to reflect any changes to assumptions and methods
8 to which the pension system actuary and the city actuary agree.

9 (e) At the city actuary's written request, the pension
10 system shall provide additional actuarial data used by the pension
11 system actuary to prepare the draft actuarial experience study,
12 provided that confidential data may only be provided subject to a
13 confidentiality agreement entered into between the pension system
14 and the city actuary.

15 (f) The city actuary, at the direction of the city, shall
16 provide in writing to the pension system actuary and the pension
17 system:

18 (1) any assumptions and methods recommended by the
19 city actuary that differ from the assumptions and methods
20 recommended by the pension system actuary; and

21 (2) the city actuary's rationale for each method or
22 assumption the actuary recommends and determines to be consistent
23 with standards adopted by the Actuarial Standards Board.

24 (g) Not later than the 30th day after the date the pension
25 system actuary receives the city actuary's written recommended
26 assumptions and methods and rationale under Subsection (f) of this
27 section, the pension system shall provide a written response to the

1 city actuary identifying any assumption or method recommended by
2 the city actuary that the pension system does not accept. If any
3 assumption or method is not accepted, the pension system shall
4 recommend to the city the names of three independent actuaries for
5 purposes of this section.

6 (h) An actuary may only be recommended, selected, or engaged
7 by the pension system as an independent actuary under this section
8 if the person:

9 (1) is not already engaged by the city, the pension
10 system, or any other pension system or fund authorized under
11 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide
12 actuarial services to the city, the pension system, or another
13 pension system or fund;

14 (2) is a member of the American Academy of Actuaries;
15 and

16 (3) has at least five years of experience as an actuary
17 working with one or more public retirement systems with assets in
18 excess of \$1 billion.

19 (i) Not later than the 20th day after the date the city
20 receives the list of three independent actuaries under Subsection
21 (g) of this section, the city shall identify and the pension system
22 shall hire one of the listed independent actuaries on terms
23 acceptable to the city and the pension system to perform a scope of
24 work acceptable to the city and the pension system. The city and
25 the pension system each shall pay 50 percent of the cost of the
26 independent actuary engaged under this subsection. The city shall
27 be provided the opportunity to participate in any communications

1 between the independent actuary and the pension system concerning
2 the engagement, engagement terms, or performance of the terms of
3 the engagement.

4 (j) The independent actuary engaged under Subsection (i) of
5 this section shall receive on request from the city or the pension
6 system:

7 (1) the pension system's draft actuarial experience
8 study, including all assumptions and methods recommended by the
9 pension system actuary;

10 (2) summaries of the reconciled actuarial data used to
11 prepare the draft actuarial experience study;

12 (3) the city actuary's specific recommended
13 assumptions and methods together with the city actuary's written
14 rationale for each recommendation;

15 (4) the pension system actuary's written rationale for
16 its recommendations; and

17 (5) if requested by the independent actuary and
18 subject to a confidentiality agreement, additional confidential
19 actuarial data.

20 (k) Not later than the 30th day after the date the
21 independent actuary receives all the requested information under
22 Subsection (j) of this section, the independent actuary shall
23 advise the pension system and the city whether it agrees with the
24 assumption or method recommended by the city actuary or the
25 corresponding method or assumption recommended by the pension
26 system actuary, together with the independent actuary's rationale
27 for making the determination. During the period prescribed by this

1 subsection, the independent actuary may discuss recommendations in
2 simultaneous consultation with the pension system actuary and the
3 city actuary.

4 (l) The pension system and the city may not seek any
5 information from any prospective independent actuary about
6 possible outcomes of the independent actuary's review.

7 (m) If an independent actuary has questions or concerns
8 regarding an engagement entered into under this section, the
9 independent actuary shall simultaneously consult with both the city
10 actuary and the pension system actuary regarding the questions or
11 concerns. This subsection does not limit the pension system's
12 authorization to take appropriate steps to complete the engagement
13 of the independent actuary on terms acceptable to both the pension
14 system and the city or to enter into a confidentiality agreement
15 with the independent actuary, if needed.

16 (n) If the pension board does not adopt an assumption or
17 method recommended by the city or pension system actuary and to
18 which the independent actuary agrees, the city actuary is
19 authorized to use that recommended assumption or method in
20 connection with preparation of a risk sharing valuation study under
21 Section 8B of this Act until the next actuarial experience study is
22 conducted.

23 Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
24 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
25 CERTAIN ADJUSTMENTS. (a) This section governs the determination
26 of the city contribution rate applicable in a fiscal year if the
27 estimated city contribution rate under a risk sharing valuation

1 study prepared under Section 8B or 8C of this Act, as applicable, is
2 lower than the corridor midpoint.

3 (b) If the funded ratio is:

4 (1) less than 90 percent and the proposed city
5 contribution rate is equal to or greater than the minimum
6 contribution rate, the city contribution rate for the fiscal year
7 equals the corridor midpoint; or

8 (2) equal to or greater than 90 percent and the city
9 contribution rate is:

10 (A) equal to or greater than the minimum
11 contribution rate, the estimated city contribution rate is the city
12 contribution rate for the fiscal year; or

13 (B) except as provided by Subsection (d) or (e)
14 of this section, less than the minimum contribution rate for the
15 corresponding fiscal year, the city contribution rate for the
16 fiscal year equals the minimum contribution rate achieved in
17 accordance with Subsection (c) of this section.

18 (c) For purposes of Subsection (b)(2)(B) of this section,
19 the following adjustments shall be applied sequentially to the
20 extent required to increase the estimated city contribution rate to
21 equal the minimum contribution rate:

22 (1) first, adjust the actuarial value of assets equal
23 to the current market value of assets, if making the adjustment
24 causes the city contribution rate to increase;

25 (2) second, under a written agreement between the city
26 and the pension board under Section 3(n) of this Act entered into
27 not later than the 30th day before the first day of the next fiscal

1 year, prospectively restore all or part of any benefit reductions
2 or reduce increased employee contributions, in each case made after
3 the year 2017 effective date;

4 (3) third, accelerate the payoff year of the legacy
5 liability by offsetting the remaining legacy liability by the
6 amount of the new liability loss layer, provided that during the
7 accelerated period the city will continue to pay the city
8 contribution amount as scheduled in the initial risk sharing
9 valuation study, subject to Section 8C(i) or (j) of this Act;

10 (4) fourth, accelerate the payoff year of existing
11 liability loss layers, excluding the legacy liability, by
12 accelerating the oldest liability loss layers first, to an
13 amortization period of not less than 20 years from the first day of
14 the fiscal year beginning 12 months after the date of the risk
15 sharing valuation study in which the liability loss layer is first
16 recognized; and

17 (5) fifth, under a written agreement between the city
18 and the pension board under Section 3(n) of this Act entered into
19 not later than the 30th day before the first day of the next fiscal
20 year, the city and the pension board may agree to reduce the assumed
21 rate of return.

22 (d) If the funded ratio is:

23 (1) equal to or greater than 100 percent:

24 (A) all existing liability layers, including the
25 legacy liability, are considered fully amortized and paid;

26 (B) the city contribution amount may no longer be
27 included in the city contribution under Section 8A of this Act; and

1 (C) the city and the pension system may mutually
2 agree to change assumptions in a written agreement entered into
3 between the city and the pension board under Section 3(n) of this
4 Act; and

5 (2) greater than 100 percent in a written agreement
6 between the city and the pension system entered into under Section
7 3(n) of this Act, the pension system may reduce member
8 contributions or increase pension benefits if as a result of the
9 action:

10 (A) the funded ratio is not less than 90 percent;
11 and

12 (B) the city contribution rate is not more than
13 the minimum contribution rate.

14 (e) Except as provided by Subsection (f) of this section, if
15 an agreement under Subsection (d) of this section is not reached on
16 or before the 30th day before the first day of the next fiscal year,
17 before the first day of the next fiscal year, the pension board
18 shall reduce member contributions and implement or increase
19 cost-of-living adjustments, but only to the extent that the city
20 contribution rate is set at or below the minimum contribution rate
21 and the funded ratio is not less than 90 percent.

22 (f) If any member contribution reduction or benefit
23 increase has occurred within the previous three fiscal years, the
24 pension board may not make additional adjustments to benefits, and
25 the city contribution rate must be set to equal the minimum
26 contribution rate.

27 Sec. 8F. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY

1 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;
2 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
3 the determination of the city contribution rate in a fiscal year
4 when the estimated city contribution rate under a risk sharing
5 valuation study prepared under Section 8B or 8C of this Act, as
6 applicable, is equal to or greater than the corridor midpoint.

7 (b) If the estimated city contribution rate is:

8 (1) less than or equal to the maximum contribution
9 rate for the corresponding fiscal year, the estimated city
10 contribution rate is the city contribution rate; or

11 (2) except as provided by Subsection (d) or (f) of this
12 section, greater than the maximum contribution rate for the
13 corresponding fiscal year, the city contribution rate equals the
14 corridor midpoint achieved in accordance with Subsection (c) of
15 this section.

16 (c) For purposes of Subsection (b)(2) of this section, the
17 following adjustments shall be applied sequentially to the extent
18 required to decrease the estimated city contribution rate to equal
19 the corridor midpoint:

20 (1) first, adjust the actuarial value of assets to the
21 current market value of assets, if making the adjustment causes the
22 city contribution rate to decrease;

23 (2) second, if the payoff year of the legacy liability
24 was accelerated under Section 8E(c) of this Act:

25 (A) extend the payoff year of the legacy
26 liability by increasing the legacy liability by the amount of the
27 new liability gain layer to a maximum amount; and

1 (B) during the extended period provided by
2 Paragraph (A) of this subdivision, the city shall continue to pay
3 the city contribution amount for the extended period in accordance
4 with the schedule included in the initial risk sharing valuation
5 study, subject to Section 8C(j) or (k) of this Act; and

6 (3) third, if the payoff year of a liability loss layer
7 other than the legacy liability was previously accelerated under
8 Section 8E(c) of this Act, extend the payoff year of existing
9 liability loss layers, excluding the legacy liability, by extending
10 the most recent loss layers first, to a payoff year not later than
11 30 years from the first day of the fiscal year beginning 12 months
12 after the date of the risk sharing valuation study in which the
13 liability loss layer is first recognized.

14 (d) If the city contribution rate after adjustment under
15 Subsection (c) of this section is greater than the third quarter
16 line rate, the city contribution rate equals the third quarter line
17 rate. To the extent necessary to comply with this subsection, the
18 city and the pension board shall enter into a written agreement
19 under Section 3(n) of this Act to increase member contributions and
20 make other benefit or plan changes not otherwise prohibited by
21 applicable federal law or regulations.

22 (e) Gains resulting from adjustments made as the result of a
23 written agreement between the city and the pension board under
24 Subsection (d) of this section must be applied to the city
25 contribution rate and not to the legacy liability.

26 (f) If an agreement under Subsection (d) of this section is
27 not reached on or before the 30th day before the first day of the

1 next fiscal year, before the start of the next fiscal year to which
2 the city contribution rate would apply, the pension board, to the
3 extent necessary to set the city contribution rate equal to the
4 third quarter line rate, shall:

5 (1) increase member contributions; and

6 (2) decrease cost-of-living adjustments.

7 (g) If the city contribution rate remains greater than the
8 corridor midpoint in the third fiscal year after adjustments are
9 made in accordance with an agreement under Subsection (d) of this
10 section, in that fiscal year the city contribution rate equals the
11 corridor midpoint achieved in accordance with Subsection (h) of
12 this section.

13 (h) The city contribution rate must be set at the corridor
14 midpoint under Subsection (g) of this section by:

15 (1) in the risk sharing valuation study for the third
16 fiscal year described by Subsection (g) of this section, adjusting
17 the actuarial value of assets to equal the current market value of
18 assets, if making the adjustment causes the city contribution rate
19 to decrease; and

20 (2) under a written agreement entered into between the
21 city and the pension board under Section 3(n) of this Act:

22 (A) increasing member contributions; and

23 (B) making any other benefit or plan changes not
24 otherwise prohibited by applicable federal law or regulations.

25 (i) If an agreement under Subsection (h)(2) of this section
26 is not reached on or before the 30th day before the first day of the
27 next fiscal year, before the start of the next fiscal year, the

1 pension board, to the extent necessary to set the city contribution
2 rate equal to the corridor midpoint, shall:

3 (1) increase member contributions; and

4 (2) decrease cost-of-living adjustments.

5 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and
6 document exchanges under Sections 8A through 8F of this Act have all
7 the protections afforded by applicable law and are expressly exempt
8 from the disclosure requirements under Chapter 552, Government
9 Code, except as may be agreed to by the city and pension system in a
10 written agreement under Section 3(n) of this Act.

11 (b) Subsection (a) of this section does not apply to final
12 risk sharing valuation studies prepared under Sections 8B and 8C of
13 this Act.

14 (c) A risk sharing valuation study prepared by either the
15 city actuary or the pension system actuary under Sections 8A
16 through 8F of this Act may not:

17 (A) include information in a form that includes
18 identifiable information relating to a specific individual; or

19 (B) provide confidential or private information
20 regarding specific individuals or be grouped in a manner that
21 allows confidential or private information regarding a specific
22 individual to be discerned.

23 Sec. 8H. UNILATERAL ACTION PROHIBITED. No unilateral
24 decision or action by the pension board is binding on the city and
25 no unilateral action by the city is binding on the pension system
26 with respect to the application of Sections 8A through 8F of this
27 Act unless expressly provided by a provision of those sections.

1 Nothing in this section is intended to limit the powers or authority
2 of the pension board.

3 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of
4 the 77th Legislature, Regular Session, 2001 (Article 6243h,
5 Vernon's Texas Civil Statutes), is amended to read as follows:

6 (c) If a member dies and there are no eligible survivors to
7 receive the allowance provided for in Section 14 of this Act, the
8 member's spouse [~~beneficiary~~] or, if there is no spouse
9 [~~beneficiary~~], the member's estate shall receive the refund amount.

10 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of
11 the 77th Legislature, Regular Session, 2001 (Article 6243h,
12 Vernon's Texas Civil Statutes), is amended by amending Subsections
13 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1),
14 (d-2), and (e-1) to read as follows:

15 (b) A group A or group B member of the pension system who
16 terminates employment is eligible for a normal retirement pension
17 beginning on the member's effective retirement date after the date
18 the member completes at least five years of credited service and
19 attains either:

20 (1) 62 years of age; or
21 (2) subject to Section 6(a-2) of this Act, a
22 combination of years of age and years of credited service,
23 including parts of years, the sum of which equals or is greater than
24 the number:

25 (A) 75, provided the member is at least 50 years
26 of age; or

27 (B) 70, provided the member attained a

1 combination of years of age and years of credited service,
2 including parts of years, the sum of which equals or is greater than
3 the number 68 before December 31, 2004.

4 (c-1) A group D member who terminates employment is eligible
5 for a normal retirement pension beginning on the member's effective
6 retirement date after the date the member completes at least five
7 years of credited service and attains 62 years of age.

8 (d) The amount of the monthly normal retirement pension
9 payable to an eligible:

10 (1) [~~retired~~] group A or group B member who retires on
11 or before December 31, 2004, shall be determined under the
12 provisions in effect on December 31, 2004, subject to Section 17 of
13 this Act;

14 (2) group A member who retires after December 31,
15 2004, is equal to the sum of:

16 (A) the member's accrued monthly normal
17 retirement pension based on the member's years of credited service
18 that were earned before December 31, 2004, determined under the law
19 in effect on December 31, 2004, subject to Section 17 of this Act;

20 (B) the member's average monthly salary
21 multiplied by 2.5 [~~3-1/4~~] percent for each year of the member's
22 years of credited service in group A during the member's first 20
23 [~~10~~] years of service that is earned after December 31, 2004; [~~7~~
24 ~~3-1/2 percent for each of the member's years of credited service in~~
25 ~~group A during the member's next 10 years of service,~~] and

26 (C) the member's average monthly salary
27 multiplied by 3.25 [~~4-1/4~~] percent for each year of credited

1 service of the member in group A during the member's years of
2 service in excess of the 20 years described under Paragraph (B) of
3 this subdivision that is earned after December 31, 2004; or

4 (3) group B member who retires after December 31,
5 2004, is equal to the sum of:

6 (A) the member's accrued monthly normal
7 retirement pension based on the member's years of credited service
8 that were earned before December 31, 2004, determined under the law
9 in effect on December 31, 2004, subject to Section 17 of this Act;

10 (B) the member's average monthly salary
11 multiplied by 1.75 percent for each year of the member's years of
12 credited service in group B during the member's first 10 years of
13 service that is earned after December 31, 2004;

14 (C) the member's average monthly salary
15 multiplied by two percent for each of the member's years of credited
16 service in group B in excess of the 10 years described under
17 Paragraph (B) of this subdivision that is earned after December 31,
18 2004; and

19 (D) the member's average monthly salary
20 multiplied by 2.5 percent for each year of credited service of the
21 member in group B during the member's years of service in excess of
22 20 years that is earned after December 31, 2004.

23 (d-1) For purposes of Subsection (d) of this section,
24 service credit is rounded to the nearest one-twelfth of a year [~~For~~
25 ~~purposes of this subsection, service credit is rounded to the~~
26 ~~nearest one-twelfth of a year. The normal retirement pension of a~~
27 ~~retired group A member may not exceed 90 percent of the member's~~

1 ~~average monthly salary]~~.

2 (d-2) The amount of the monthly normal retirement pension
3 payable to an eligible group D member who retires on or after
4 January 1, 2008, is equal to the sum of:

5 (1) the member's average monthly salary multiplied by
6 1.8 percent for each year of the member's years of credited service
7 in group D during the member's first 25 years of service; and

8 (2) the member's average monthly salary multiplied by
9 1 percent for each year of credited service of the member in group D
10 during the member's years of service in excess of 25 years.

11 (e) A group D member who terminates employment with the city
12 or the pension system may elect to receive an early retirement
13 pension payable as a reduced benefit if the member has attained:

14 (1) at least 10 years of credited service and is at
15 least 55 years of age; or

16 (2) five years of credited service and a combination
17 of years of age and years of credited service, including parts of
18 years, the sum of which equals or is greater than the number 75.

19 (e-1) The amount of the early retirement pension payable to
20 a retired group D member under Subsection (e) of this section shall
21 be equal to the monthly normal retirement pension reduced by 0.25
22 percent for each month the member is less than 62 years of age at
23 retirement [~~monthly normal retirement pension payable to an~~
24 ~~eligible retired group B member equals the member's average monthly~~
25 ~~salary multiplied by 1-3/4 percent for each year of the member's~~
26 ~~years of credited service in group B during the member's first 10~~
27 ~~years of service, 2 percent for each of the member's years of~~

1 ~~credited service in group B during the member's next 10 years of~~
2 ~~service, and 2-3/4 percent for each year of credited service of the~~
3 ~~member in group B during the member's years of service in excess of~~
4 ~~20 years. For purposes of this subsection, service credit is~~
5 ~~rounded to the nearest one-twelfth of a year. The normal retirement~~
6 ~~pension of a retired group B member may not exceed 90 percent of the~~
7 ~~member's average monthly salary].~~

8 (g) Notwithstanding any other provision of this Act, the
9 total normal retirement pension of a retired member with credited
10 service in group A, group B, ~~[or]~~ group C, or group D may not exceed
11 90 percent of the member's average monthly salary.

12 (h) On or after February 1, 2018, and for [For] future
13 payments only, pension benefits for all group A retirees and group B
14 retirees, and for all group D retirees who terminated employment on
15 or after the year 2017 effective date with at least five years of
16 credited service, and survivor benefits for ~~[all retirees and]~~
17 eligible survivors of a former member of group A or group B, or of a
18 former member of group D who terminated employment on or after the
19 year 2017 effective date with at least five years of credited
20 service, shall be increased annually by the cost-of-living
21 adjustment percentage [four percent], not compounded, for all such
22 eligible persons receiving a pension or survivor benefit as of
23 January 1 of the year in which the increase is made.

24 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th
25 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
26 Civil Statutes), is amended by adding Section 10A to read as
27 follows:

1 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and
2 after January 1, 2018, in addition to the group D member
3 contributions under Section 8 of this Act, each group D member shall
4 contribute one percent of the member's salary for each biweekly pay
5 period beginning with the member's first full biweekly pay period
6 after the later of January 1, 2018, or the group D member's first
7 date of employment. The contribution required by this subsection:

8 (1) shall be picked up and paid in the same manner and
9 at the same time as group D member contributions required under
10 Section 8(a)(3) of this Act;

11 (2) is separate from and in addition to the group D
12 member contribution under Section 8(a)(3) of this Act; and

13 (3) is not subject to reduction or increase under
14 Sections 8A through 8F of this Act or a refund under Section 17 of
15 this Act.

16 (b) For each biweekly pay period of a group D member's
17 service for which the group D member makes the contribution
18 required under Subsection (a) of this section, the following
19 amounts shall be credited to a notional account, known as a cash
20 balance account, for the group D member:

21 (1) the amount of the contributions paid under
22 Subsection (a) of this section for that biweekly pay period; and

23 (2) interest on the balance of the group D member's
24 cash balance account determined by multiplying:

25 (A) an annual rate that is one-half the pension
26 system's five-year investment return based on a rolling
27 five-fiscal-year basis and net of investment expenses, with a

1 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5
2 percent, and divided by 26; and

3 (B) the amount credited to the group D member's
4 cash balance account as of the end of the biweekly pay period.

5 (c) The pension system may not pay interest on amounts
6 credited to a cash balance account but not received by the pension
7 system under Subsection (b) of this section.

8 (d) On separation from service, a group D member is eligible
9 to receive only a distribution of the contributions credited to
10 that group D member's cash balance account, without interest, until
11 the group D member has attained at least one year of service while
12 contributing to the cash balance account. On attainment of at least
13 one year of service while contributing to the cash balance account,
14 a group D member is fully vested in the accrued benefit represented
15 by that group D member's cash balance account, including interest.

16 (e) In a manner and form prescribed by the pension board, a
17 group D member who terminates employment is eligible to elect to
18 receive the group D member's cash balance account benefit in a
19 lump-sum payment, in substantially equal periodic payments, in a
20 partial lump-sum payment followed by substantially equal periodic
21 payments, or in partial payments from the group D member's cash
22 balance account.

23 (f) Contributions may not be made to a group D member's cash
24 balance account for a period that occurs after the date the group D
25 member terminates employment, except that interest at a rate that
26 is not greater than the rate determined by the pension board under
27 Subsection (b)(2) of this section may be credited based on the

1 former group D member's undistributed cash balance account after
2 the date the group D member terminates employment.

3 (g) On the death of a group D member or former group D member
4 before the full distribution of the member's cash balance account,
5 the deceased member's cash balance account shall be payable in a
6 single lump-sum payment to:

7 (1) the deceased member's surviving spouse;

8 (2) if there is no surviving spouse, each designated
9 beneficiary of the deceased member, designated in the manner and on
10 a form prescribed by the pension board; or

11 (3) if there is no designated beneficiary, to the
12 deceased member's estate.

13 (h) The lump-sum payment described by Subsection (g) of this
14 section shall be made within a reasonable time after the pension
15 board has determined that the individual or estate is eligible for
16 the distribution.

17 (i) Subject to the other provisions of this section, the
18 pension board may adopt rules necessary to implement this section,
19 including rules regarding the payment of the cash balance account
20 and limitations on the timing and frequency of payments. All
21 distributions and changes in the form of distribution must be made
22 in a manner and at a time that complies with the Internal Revenue
23 Code of 1986.

24 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of
25 the 77th Legislature, Regular Session, 2001 (Article 6243h,
26 Vernon's Texas Civil Statutes), is amended to read as follows:

27 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~

1 ~~OPTIONS]~~. (a) In this section, "J&S Annuity" means payment of a
2 normal retirement pension or early retirement pension under one of
3 the options provided by Subsection (b) of this section.

4 (a-1) For purposes of this section, an option-eligible
5 participant is:

6 (1) a former group A or group B member who terminates
7 employment with the city or the pension system on or after June 30,
8 2011, and who is eligible to receive a normal retirement pension,
9 provided the member was not married as of the date of the member's
10 termination of employment;

11 (2) a former group B member who terminated employment
12 with the city or the predecessor system before September 1, 1997,
13 and who is eligible to receive a normal retirement pension; or

14 (3) a former group D member who terminated employment
15 with the city or the pension system and who is eligible to receive a
16 normal retirement pension or an early retirement pension.

17 (a-2) The pension board, in its sole discretion, shall make
18 determinations regarding an individual's status as an
19 option-eligible participant.

20 (a-3) Before the date an option-eligible participant
21 commences receipt of a benefit, that option-eligible participant [A
22 ~~group B member who terminated employment with the city or the~~
23 ~~predecessor system before September 1, 1997,~~] must elect, in a
24 manner and at a time determined by the pension board, [before the
25 ~~member's effective retirement date]~~ whether to receive [have] the
26 participant's [~~member's~~] normal retirement pension or early
27 retirement pension, as applicable, or to have the option-eligible

1 participant's normal retirement pension or early retirement
2 pension, as applicable, paid under one of the options provided by
3 Subsection (b) of this section. The election may be revoked, in a
4 manner and at a time established by the pension board, not later
5 than the 60th day before the date the participant commences receipt
6 of a benefit [~~member's effective retirement date~~].

7 (b) The normal retirement pension or early retirement
8 pension may be one of the following actuarially equivalent amounts:

9 (1) option 1: a reduced pension payable to the
10 participant [~~member~~], then on the participant's [~~member's~~] death
11 one-half of the amount of that reduced pension is payable to the
12 participant's [~~member's~~] designated survivor, for life;

13 (2) option 2: a reduced pension payable to the
14 participant [~~member~~], then on the participant's [~~member's~~] death
15 that same reduced pension is payable to the participant's
16 [~~member's~~] designated survivor, for life; and

17 (3) option 3: a reduced pension payable to the
18 participant [~~member~~], and if the participant [~~member~~] dies within
19 10 years, the pension is paid to the participant's [~~member's~~]
20 designated survivor for the remainder of the 10-year period
21 beginning on the participant's benefit commencement [~~member's~~
22 ~~effective retirement~~] date.

23 (c) If an option-eligible participant [~~a former group B~~
24 ~~member~~] who has made the election provided by Subsection (b) of this
25 section dies after terminating employment with at least five years
26 of credited service but before attaining the age required to begin
27 receiving a normal or early retirement pension, the person's

1 designated survivor is eligible for the J&S Annuity [~~benefits~~]
2 provided by the option selected by the option-eligible participant
3 [~~former member~~] at the time of separation from service. The
4 benefits first become payable to an eligible designated survivor on
5 the date the option-eligible participant [~~former member~~] would have
6 become eligible to begin receiving a pension. If the designated
7 survivor elects for earlier payment, in a time and manner
8 determined by the pension board, the actuarial equivalent of that
9 amount shall be payable at that earlier date.

10 (d) A survivor benefit under Subsection (c) of this section
11 or a J&S Annuity is not payable if:

12 (1) except as provided by Subsection (e) of this
13 section, an option-eligible participant [~~If a former group B member~~
14 ~~under Subsection (a) of this section~~] does not elect one of the J&S
15 Annuity options under Subsection (b) of this section and dies
16 before retirement has commenced;

17 (2) an option-eligible participant elects a normal
18 retirement pension or early retirement pension and dies before
19 retirement has commenced; or

20 (3) an option-eligible participant dies after
21 retirement has commenced and that option-eligible participant:

22 (A) elects a normal retirement pension or early
23 retirement pension;

24 (B) did not make a valid election under
25 Subsection (b) of this section; or

26 (C) made an election that is void [~~, a survivor~~
27 ~~benefit is not payable~~].

1 (e) An option-eligible participant described by Subsection
2 (a-1)(3) of this section who did not elect one of the J&S Annuity
3 options under Subsection (b) of this section is considered to have
4 elected a J&S Annuity option under Subsection (b)(1) of this
5 section and to have designated the participant's surviving spouse
6 as the optional annuitant if the participant:

7 (1) was not in service with the city or the pension
8 system at the time of the participant's death;

9 (2) is survived by a surviving spouse; and

10 (3) dies before the participant's retirement has
11 commenced.

12 (f) If the option-eligible participant described by
13 Subsection (e) of this section has no surviving spouse, a survivor
14 benefit or J&S Annuity is not payable. If a J&S Annuity is paid
15 under Subsection (e) of this section, a survivor benefit is not
16 payable under this subsection or under Section 14 of this Act.

17 (g) If Subsection (d) of this section would otherwise apply
18 to prohibit the payment of a survivor benefit or J&S Annuity, but
19 there is one or more dependent children of the deceased
20 option-eligible participant, the provisions of Section 14 of this
21 Act control the payment of survivor benefits to the dependent child
22 or children. The pension system may not pay both a J&S Annuity
23 under this section and a survivor benefit under Section 14 of this
24 Act with respect to any option-eligible participant. If a J&S
25 Annuity is paid under Subsection (e) of this section, a survivor
26 benefit is not payable.

27 (h) If an option-eligible participant has previously

1 elects a J&S Annuity for a previous period of service, no benefits
2 have been paid under that previous election, and the
3 option-eligible participant terminates employment on or after
4 January 1, 2012, the previous election is void and the
5 option-eligible participant shall make an election under
6 Subsection (b) of this section to apply to all periods of service.

7 (i) If a former group B member with service before September
8 1, 1997, was rehired in a covered position and converted the group B
9 service covered by a J&S Annuity to group A service, and that member
10 terminates employment on or after January 1, 2012, and is not an
11 option-eligible participant at the time of the member's subsequent
12 termination, the previous election is void and survivor benefits
13 for an eligible survivor, if any, are payable as provided by Section
14 14 of this Act, provided benefits were not paid under the previous
15 election.

16 (j) If an option-eligible participant who elects a J&S
17 Annuity under this section designates the participant's spouse as a
18 designated survivor and the marriage is later dissolved by divorce,
19 annulment, or a declaration that the marriage is void, the
20 designation is void unless the participant reaffirms the
21 designation after the marriage was dissolved.

22 (k) A J&S Annuity payable to a designated survivor is
23 effective on the first day of the month following the month of the
24 option-eligible participant's death and ceases on the last day of
25 the month of the designated survivor's death or on the last day of
26 the month in which the survivor otherwise ceases to be eligible to
27 receive a J&S Annuity.

1 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),
2 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
3 Vernon's Texas Civil Statutes), is amended to read as follows:

4 (5) "DROP entry date" means the date a member ceases to
5 earn service credit and begins earning credit for the member's DROP
6 account, which is the later of the date the member is eligible to
7 participate in the DROP, the date requested by the member, or
8 October 1, 1997, as approved by the pension board. The DROP entry
9 date is the first day of a month and is determined by the normal
10 retirement eligibility requirements of this Act or of Chapter 358,
11 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
12 Vernon's Texas Civil Statutes), as applicable, in effect on the
13 requested DROP entry date. A member who enters DROP on or after
14 January 1, 2005, may not have a DROP entry date that occurs before
15 the date the pension system receives the member's request to
16 participate in DROP.

17 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of
18 the 77th Legislature, Regular Session, 2001 (Article 6243h,
19 Vernon's Texas Civil Statutes), is amended by adding Subsections
20 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections
21 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

22 (b-1) Notwithstanding Subsection (b) of this section, for
23 DROP participation beginning on or after January 1, 2005, a member
24 must meet the normal retirement eligibility requirements under
25 Section 10(b), 10(c), or 10(c-1) of this Act to be eligible to elect
26 to participate in DROP. This subsection does not apply to a member
27 who:

1 (1) met the eligibility requirements under Section
2 10(b) of this Act in effect before January 1, 2005; or

3 (2) before January 1, 2005, had at least five years of
4 credited service and a combination of years of age and years of
5 credited service, including parts of years, the sum of which
6 equaled or was greater than 68.

7 (d) Credited service and normal retirement benefits cease
8 to accrue on the day preceding the member's DROP entry date. The
9 period of a member's DROP participation, unless revoked as provided
10 by Subsection (j) of this section, begins on the DROP participant's
11 DROP entry date and ends on the date of the DROP participant's last
12 day of active service with the city or the pension system. On the
13 first day of the month following the month in which the pension
14 board approves the member's DROP election, the DROP election
15 becomes effective and the pension board shall establish a DROP
16 account for the DROP participant. For each month during the period
17 of DROP participation before a DROP participant's termination of
18 employment, the following amounts shall be credited to the DROP
19 participant's DROP account, including prorated amounts for partial
20 months of service:

21 (1) an amount equal to what would have been the DROP
22 participant's monthly normal retirement benefit if the DROP
23 participant had retired on the DROP participant's DROP entry date,
24 except that the monthly amount shall be computed based on the DROP
25 participant's credited service and average monthly salary as of the
26 DROP entry date and the benefit accrual rates and maximum allowable
27 benefit applicable on the DROP election date, with the

1 cost-of-living adjustments payable under Subsection (s) of this
2 section, if any, that would apply if the DROP participant had
3 retired on the DROP participant's DROP entry date; and

4 (2) subject to Subsection (d-1) of this section, [~~for~~
5 ~~a group A member, the member's contributions to the pension fund~~
6 ~~required under Section 8 of this Act during the member's~~
7 ~~participation in the DROP; and~~

8 [~~(3)~~] interest on the DROP participant's DROP account
9 balance computed at a rate determined by the pension board and
10 compounded at intervals designated by the pension board, but at
11 least once in each 13-month period.

12 (d-1) Beginning January 1, 2018, the pension board shall
13 establish the interest rate applicable under Subsection (d)(2) of
14 this section as of January 1 of each year at a rate:

15 (1) except as provided by Subdivision (2) of this
16 subsection, equal to half the pension system's five-year investment
17 return based on a rolling five-fiscal-year basis and net of
18 investment expenses; and

19 (2) that may not be less than 2.5 percent or more than
20 7.5 percent.

21 (f) The period for credits to a DROP participant's DROP
22 account includes each month beginning with the DROP participant's
23 DROP entry date through the date the DROP participant terminates
24 employment with the city or the pension system. Credits may not be
25 made to a DROP participant's DROP account for a period that occurs
26 after the date the DROP participant terminates employment, except
27 that interest at a rate determined by the pension board may be paid

1 on the person's undistributed DROP account balance after the date
2 the person terminates employment. A DROP participant must pay
3 required contributions to the pension system for all time in DROP
4 that would otherwise constitute service in order to receive
5 allowable credits to the DROP participant's DROP account.

6 (g) A DROP participant who terminates employment is
7 eligible to elect to receive the DROP participant's DROP benefit in
8 a lump sum, in substantially equal periodic payments, ~~[or]~~ in a
9 partial lump sum followed by substantially equal periodic payments,
10 or in partial payments from the participant's DROP account, in a
11 manner and form determined by the pension board. The pension board
12 may establish procedures concerning partial payments under this
13 subsection, including limitations on the timing and frequency of
14 those payments. A participant who elects partial payments may
15 elect to receive the participant's entire remaining DROP account
16 balance in a single lump-sum payment. The pension board shall
17 determine a reasonable time for lump-sum and periodic payments of
18 the DROP benefit. ~~[An election concerning single lump-sum or~~
19 ~~partial payments as provided by this subsection must satisfy the~~
20 ~~requirements of Section 401(a)(9), Internal Revenue Code of 1986,~~
21 ~~as amended.]~~ All distributions and changes in the form of
22 distribution must be made in a manner and at a time that complies
23 with that provision of the Internal Revenue Code of 1986, as
24 amended.

25 (h) If a DROP participant dies before the full distribution
26 of the DROP participant's DROP account balance, the undistributed
27 DROP account balance shall be distributed to the DROP participant's

1 surviving spouse, if any, in a lump-sum payment within a reasonable
2 time after the pension board has determined that the surviving
3 spouse is eligible for the distribution. If there is no surviving
4 spouse, each beneficiary of the DROP participant [~~participant's~~
5 ~~beneficiary~~], as designated in the manner and on a form established
6 by the pension board, is eligible to receive the beneficiary's
7 applicable portion of the deceased DROP participant's
8 undistributed DROP account balance in a lump-sum payment within a
9 reasonable time after the pension board has determined that the
10 beneficiary is eligible for the distribution. If no beneficiary is
11 designated, the undistributed DROP account balance shall be
12 distributed to the deceased participant's [~~member's~~] estate.

13 (j) An election to participate in the DROP is irrevocable,
14 except that:

15 (1) if a DROP participant is approved for a service
16 disability pension, the DROP participant's DROP election is
17 automatically revoked; and

18 (2) if a DROP participant dies, the surviving spouse,
19 if any, or the beneficiary, if any, may elect to revoke the DROP
20 participant's DROP election, at a time and in a manner determined by
21 the pension board, only if the revocation occurs before a
22 distribution from the DROP participant's DROP account or the
23 payment of a survivor benefit under this Act or Chapter 358, Acts of
24 the 48th Legislature, Regular Session, 1943 (Article 6243g,
25 Vernon's Texas Civil Statutes) [~~, and~~

26 [~~(3) a DROP participant approved by the pension board~~
27 ~~of the predecessor system before September 1, 1999, to participate~~

1 ~~in the DROP may make a one-time, irrevocable election before~~
2 ~~termination of employment, on a date and in a manner determined by~~
3 ~~the pension board, to revoke the DROP election and waive any and all~~
4 ~~rights associated with the DROP election].~~

5 (k) On revocation of a DROP election under Subsection (j) of
6 this section, the DROP account balance becomes zero, and a
7 distribution of DROP benefits may not be made to the participant
8 ~~[member]~~, the participant's ~~[member's]~~ surviving spouse, or the
9 participant's ~~[member's]~~ beneficiaries. In the event of
10 revocation, the benefits based on the participant's ~~[member's]~~
11 service are determined as if the participant's ~~[member's]~~ DROP
12 election had never occurred.

13 (m) If an unanticipated actuarial cost occurs in
14 administering the DROP, the pension board, on the advice of the
15 pension system ~~[system's]~~ actuary, may take action necessary to
16 mitigate the unanticipated cost, including refusal to accept
17 additional elections to participate in the DROP ~~[plan]~~. The
18 pension system shall continue to administer the DROP ~~[plan]~~ for the
19 DROP participants participating in the DROP ~~[plan]~~ before the date
20 of the mitigating action.

21 (o) Except as provided by Subsection (o-1) of this section,
22 on ~~[On]~~ termination of employment, a DROP participant shall receive
23 a normal retirement pension under Section 10 of this Act or under
24 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,
25 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
26 Statutes), as those sections read on the day preceding the
27 participant's DROP entry date, as applicable, except that the

1 credited service under that section is the member's credited
2 service as of the day before the member's DROP entry date, the
3 benefit accrual rate applicable to the credited service shall be
4 the benefit accrual rate in effect on the member's DROP election
5 date, the maximum allowable benefit shall be the maximum allowable
6 benefit in effect on the member's DROP election date, and the
7 member's average monthly salary is the average monthly salary
8 determined as of the later [date] of the member's DROP entry date or
9 January 1, 2005, as applicable [~~termination of employment~~]. The
10 DROP participant's normal retirement pension is increased by any
11 cost-of-living adjustments applied to the monthly credit to the
12 member's DROP account under Subsection (d)(1) of this section
13 during the member's participation in the DROP. Cost-of-living
14 adjustments applicable to periods after the date of the DROP
15 participant's termination of employment are based on the DROP
16 participant's normal retirement pension computed under this
17 subsection or Subsection (o-1) of this section, as applicable,
18 excluding any cost-of-living adjustments.

19 (o-1) On termination of employment, and before any benefit
20 or DROP payment, a DROP participant who is an option-eligible
21 participant shall make the required election under Section 11 of
22 this Act. If the option-eligible participant elects a J&S Annuity,
23 the DROP account, including all DROP credits, shall be recalculated
24 from the DROP entry date to termination of employment as provided by
25 Subsection (o) of this section as if the J&S Annuity was selected to
26 be effective as of the DROP entry date.

27 (p) If a DROP election is not revoked under Subsection (j)

1 of this section, the survivor benefit payable to an eligible
2 survivor of a deceased DROP participant under Section 14 of this Act
3 is computed as a percentage of the monthly ordinary disability
4 pension that the member would have been eligible to receive had the
5 member suffered a disability the day before the member's DROP entry
6 date, except that the ordinary disability pension is computed based
7 on the DROP participant's credited service as of the day before the
8 DROP participant's DROP entry date, the benefit accrual rate
9 applicable to the credited service as of the DROP participant's
10 DROP election date, and the DROP participant's average monthly
11 salary as of the later [date] of the DROP participant's DROP entry
12 date or January 1, 2005, as applicable [death]. A surviving spouse,
13 if any, of a DROP participant who dies from a cause directly
14 resulting from a specific incident in the performance of the DROP
15 participant's duties for the city or the pension system is
16 ineligible to receive enhanced survivor benefits under Section
17 14(c) of this Act unless the DROP election is revoked under
18 Subsection (j)(2) of this section and the surviving spouse receives
19 a survivor benefit as otherwise provided by this subsection.

20 (r) Except as provided by Subsection (s) of this section,
21 the pension system may not credit a DROP account with a
22 cost-of-living adjustment percentage on or after February 1, 2018.

23 (s) On or after February 1, 2018, and for future credit
24 only, the pension system shall credit a cost-of-living adjustment
25 percentage, not compounded, to the DROP account of a DROP
26 participant who was at least 62 years of age as of January 1 of the
27 year in which the increase is made.

1 (t) The pension board may establish deadlines for the
2 submission of any information, document, or other record pertaining
3 to DROP.

4 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88
5 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
6 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read
7 as follows:

8 (a) A member who has completed five or more years of
9 credited service and who becomes disabled is eligible, regardless
10 of age, for an ordinary disability retirement and shall receive a
11 monthly disability pension computed in accordance with Section
12 10(d) of this Act [~~for group A members and Section 10(e) for group B~~
13 ~~members~~].

14 (b) A member who is disabled by reason of a personal injury
15 sustained or a hazard undergone as a result of, and while in the
16 performance of, the member's employment duties at some definite
17 place and at some definite time on or after the date of becoming a
18 member, without serious and wilful misconduct on the member's part,
19 is eligible for a service disability retirement and shall receive a
20 monthly disability pension equal to the greater of:

21 (1) the monthly normal retirement pension computed
22 under Section 10(d) of this Act [~~for a group A member or Section~~
23 ~~10(e) for a group B member~~]; or

24 (2) 20 percent of the member's monthly salary on the
25 date the injury occurred or the hazard was undergone.

26 (c) In addition to the monthly disability pension under
27 Subsection (b)(2) of this section, a group A member shall receive

1 one percent of the salary under Subsection (b)(2) of this section
2 for each year of credited service. The total disability pension
3 computed under Subsection (b)(2) of this section may not exceed the
4 greater of:

- 5 (1) 40 percent of that monthly salary; or
6 (2) the monthly normal retirement pension computed in
7 accordance with Section 10(d) of this Act [~~for a group A member or~~
8 ~~Section 10(e) for a group B member~~].

9 SECTION 3.19. Chapter 88 (H.B. 1573), Acts of the 77th
10 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
11 Civil Statutes), is amended by adding Section 13A to read as
12 follows:

13 Sec. 13A. CERTAIN DISABILITY AND SURVIVOR BENEFITS.
14 Notwithstanding any other provision of this Act, a disability
15 benefit or survivor benefit that first becomes payable on or after
16 January 1, 2005, for a former member who separated from service on
17 or after January 1, 2005, shall be determined in accordance with the
18 monthly normal retirement pension calculation applicable under
19 Section 10 of this Act.

20 SECTION 3.20. Section 14, Chapter 88 (H.B. 1573), Acts of
21 the 77th Legislature, Regular Session, 2001 (Article 6243h,
22 Vernon's Texas Civil Statutes), is amended by amending Subsections
23 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read
24 as follows:

25 (a) Except as provided by Section 11 or [~~Section~~] 12 of this
26 Act, the pension board shall order survivor benefits to be paid to
27 an eligible survivor in the form of a monthly allowance under this

1 section if:

2 (1) a member or former member of group A or group B
3 dies from any cause after the completion of five years of credited
4 service with the city or the pension system;

5 (2) while in the service of the city or the pension
6 system, a member dies from any cause directly resulting from a
7 specific incident in the performance of the member's duty; ~~[or]~~

8 (3) a member of group A or group B dies after the date
9 the member retires on a pension because of length of service or a
10 disability and the member leaves an eligible survivor; or

11 (4) a member of group D dies from any cause after the
12 completion of five years of credited service with the city or the
13 pension system if the member on the date of the member's death was
14 still in service with the city or the pension system.

15 (b) A surviving spouse of a member described by Subsection
16 (a)(1) or (4) of this section ~~[or former member]~~ who dies while
17 still in ~~[dies after having completed five years of credited]~~
18 service with the city or the pension system ~~[, but before beginning~~
19 ~~to receive retirement benefits,]~~ is eligible for a sum equal to the
20 following applicable percentage ~~[100 percent]~~ of the retirement
21 benefits to which the deceased member or former member would have
22 been eligible had the member been totally disabled with an ordinary
23 disability at the time of the member's last day of credited service:

24 (1) 80 percent, if the member's death occurs on or
25 after the year 2017 effective date and the spouse was married to the
26 member for at least one continuous year as of the member's date of
27 death, except that the allowance payable to the surviving spouse

1 may not be less than \$100 a month; or

2 (2) 50 percent, if the member's death occurs on or
3 after the year 2017 effective date and the spouse was married to the
4 member for less than one continuous year as of the date of the
5 member's death.

6 (b-1) A surviving spouse of a former member described by
7 Subsection (a)(1) of this section who dies on or after the year 2017
8 effective date while not in the service of the city or the pension
9 system and before the member's retirement commenced, is eligible
10 for a sum equal to 50 percent of the deceased former member's normal
11 accrued pension at the time of the deceased former member's last day
12 of credited service. Benefits under this subsection first become
13 payable on the date the former member would have become eligible to
14 begin receiving a pension. If the surviving spouse elects for
15 earlier payment, in a time and manner determined by the pension
16 board, the actuarial equivalent of that amount shall be payable at
17 that earlier date.

18 (c) A surviving spouse of a member described by Subsection
19 (a)(2) of this section who dies from a cause directly resulting from
20 a specific incident in the performance of the member's duty with the
21 city or the pension system, without serious or wilful misconduct on
22 the member's part, is eligible for a sum equal to 80 [~~100~~] percent
23 of the deceased member's final average salary.

24 (d) A surviving spouse of a retiree described by Subsection
25 (a)(3) of this section who dies after having received retirement
26 benefits is eligible for a sum equal to the following applicable
27 percentage [~~100 percent~~] of the retirement benefits being received

1 at the time of the retiree's death, including any applicable [~~-~~
2 ~~The~~] cost-of-living adjustment in the survivor benefit under
3 Section 10(h) of this Act [~~is~~] computed based on the unadjusted
4 normal retirement pension of the deceased retiree:

5 (1) 80 percent, if the retiree's death occurs on or
6 after the year 2017 effective date and the retiree separated from
7 service with the city or pension system before the year 2017
8 effective date;

9 (2) 80 percent, if the retiree's death occurs on or
10 after the year 2017 effective date and the retiree separated from
11 service with the city or pension system before the year 2017
12 effective date, provided the surviving spouse was married to the
13 retiree at the time of the retiree's death and for at least one
14 continuous year as of the date of the retiree's separation from
15 service; or

16 (3) 50 percent, if both the retiree's separation from
17 service and death occur on or after the year 2017 effective date and
18 the surviving spouse was married to the retiree at the time of the
19 retiree's death for less than one continuous year as of the date of
20 the retiree's separation from service.

21 (e) If there is a surviving spouse, each dependent child
22 shall receive a survivor benefit equal to 10 percent of the pension
23 the member would have received if the member had been disabled at
24 the time of death up to a maximum of 20 percent for all dependent
25 children, except that if the total amount payable to the surviving
26 spouse and dependent children is greater than 80 [~~100~~] percent of
27 the benefit the member would have received, the percentage of

1 benefits payable to the surviving spouse shall be reduced so that
2 the total amount is not greater than 80 [~~100~~] percent of the benefit
3 the member would have received, and the reduction shall continue
4 until the total amount payable to the surviving spouse and
5 dependent child, if any, would not be greater than 80 [~~100~~] percent
6 of the benefit the member would have received.

7 (h) If a retiree dies and there is no eligible survivor, the
8 retiree's spouse, if any, or if there is no spouse, the retiree's
9 estate, is eligible to receive a lump-sum payment of the
10 unamortized balance of the retiree's accrued employee
11 contributions, if any, other than contributions after the DROP
12 entry date, as determined by an amortization schedule and method
13 approved by the pension board. A pension payable to a retiree
14 ceases on the last day of the month [~~preceding the month~~] of the
15 retiree's death. A survivor benefit payable to an eligible
16 survivor is effective on the first day of the month following the
17 month of the retiree's death and ceases on the last day of [~~month~~
18 ~~preceding~~] the month of the eligible survivor's death or on the last
19 day of the month in which the survivor otherwise ceases to be
20 eligible to receive a survivor's benefit.

21 SECTION 3.21. Sections 16(a) and (e), Chapter 88 (H.B.
22 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
23 6243h, Vernon's Texas Civil Statutes), are amended to read as
24 follows:

25 (a) Notwithstanding any other provision of this Act, the
26 pension board may pay to a member, deferred participant, eligible
27 survivor, alternate payee, or beneficiary in a lump-sum payment the

1 present value of any benefit payable to such a person that is less
2 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable
3 under this Act. If the lump-sum present value of the benefit is at
4 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension
5 board may make a lump-sum payment only on written request by the
6 member, deferred participant, eligible survivor, alternate payee,
7 or other beneficiary. The pension board shall make any payment
8 under this subsection as soon as practicable after eligibility
9 under this section has been determined by the pension board.

10 (e) A member who is reemployed by the city or the pension
11 system and who has at least two years of continuous credited service
12 after reemployment may reinstate service for which the member
13 received a lump-sum payment under this section by paying into the
14 pension fund the amount of the lump-sum payment, plus interest on
15 that amount at the applicable assumed rate of return [~~six percent~~
16 ~~per year~~], not compounded, from the date the lump-sum payment was
17 made to the member until the date of repayment to the pension fund.

18 SECTION 3.22. Section 17, Chapter 88 (H.B. 1573), Acts of
19 the 77th Legislature, Regular Session, 2001 (Article 6243h,
20 Vernon's Texas Civil Statutes), is amended by amending Subsections
21 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding
22 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

23 (a) A member who terminates employment with the city
24 involuntarily due to a reduction in workforce, as determined by the
25 pension board, before the member becomes eligible for a normal
26 retirement pension or attains five years of credited service, is
27 eligible to [~~by written notice to the pension board, may make an~~

1 ~~irrevocable election to~~] leave the person's contributions in the
2 pension fund until the first anniversary of the date of
3 termination. If during that period the person is reemployed by the
4 city and has not withdrawn the person's contributions, all rights
5 and service credit as a member shall be immediately restored
6 without penalty. If reemployment with the city does not occur
7 before the first anniversary of the date of termination, all
8 payments made by the person into the pension fund by salary
9 deductions or other authorized contributions shall be refunded to
10 the person without interest. If the person is subsequently
11 reemployed, the person may have credit restored, subject to the
12 provisions applicable at the time of reemployment.

13 (c) A former member of group A or group B whose employment is
14 terminated for a reason other than death or receipt of a retirement
15 or disability pension after the completion of five years of
16 credited service may elect, in a manner determined by the pension
17 board, to receive a deferred retirement pension that begins on the
18 member's effective retirement date after the member attains the
19 eligibility requirements for normal retirement under Section 10 of
20 this Act as it existed on the member's last day of credited service
21 ~~[either 62 years of age or a combination of years of age and years of~~
22 ~~credited service, including parts of years, the sum of which equals~~
23 ~~the number 70]~~. The amount of monthly benefit shall be computed in
24 the same manner as for a normal retirement pension, but based on
25 average monthly salary and credited service as of the member's last
26 day of credited service and subject to the provisions of this Act or
27 Chapter 358, Acts of 48th Legislature, Regular Session, 1943

1 (Article 6243g, Vernon's Texas Civil Statutes), in effect on the
2 former member's last day of credited service.

3 (c-1) A former member of group D whose employment is
4 terminated for a reason other than death or receipt of a retirement
5 or disability pension after the completion of five years of
6 credited service may elect, in a manner determined by the pension
7 board, to receive a deferred normal retirement pension that begins
8 on the former member's effective retirement date after the member
9 attains 62 years of age. The amount of a monthly benefit under this
10 subsection shall be computed in the same manner as a normal
11 retirement pension, except the benefit shall be based on the
12 average monthly salary and credited service of the former member as
13 of the former member's last day of credited service and subject to
14 the provisions of this Act in effect on the former member's last day
15 of credited service.

16 (c-2) A former member of group D whose employment is
17 terminated for a reason other than death or receipt of a retirement
18 or disability pension and who has met the minimum years of credited
19 service to receive an early reduced retirement pension under
20 Section 10(e) of this Act on attaining the required age, may elect,
21 in a manner determined by the pension board, to receive a deferred
22 early retirement pension that begins on the former member's
23 effective retirement date after the member attains the required age
24 under Section 10(e) of this Act. The amount of monthly benefit
25 shall be computed in the same manner as for an early retirement
26 pension under Section 10(e) of this Act, except that the benefit
27 shall be based on the average monthly salary and credited service of

1 the former member as of the former member's last day of credited
2 service and subject to the provisions of this Act in effect on the
3 former member's last day of credited service.

4 (d) If a member dies while still employed by the city,
5 whether eligible for a pension or not, and Sections 12 and 14 of
6 this Act do not apply, all of the member's rights in the pension
7 fund shall be satisfied by the refund to the member's spouse
8 [~~designated beneficiary~~], if any, or if there is no spouse
9 [~~designated beneficiary~~], to the member's estate, of all eligible
10 payments, if any, made by the member into the pension fund, without
11 interest.

12 (e) [~~The provisions of Section 14 of this Act concerning~~
13 ~~payments to eligible survivors apply in the case of any former~~
14 ~~member who has made the election permitted by Subsection (c) of this~~
15 ~~section and who dies before reaching the age at which the former~~
16 ~~member would be eligible to receive a pension.] If there is no
17 eligible survivor of the former member, all of the former member's
18 rights in the pension fund shall be satisfied by the refund to the
19 former member's spouse [~~designated beneficiary~~], if any, or if
20 there is no spouse [~~designated beneficiary~~], to the former member's
21 estate, of all eligible payments made by the former member into the
22 pension fund by way of employee contributions, without interest.~~

23 (f) This Act does not change the status of any former member
24 of the predecessor system whose services with the city or the
25 pension system were terminated under Chapter 358, Acts of the 48th
26 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
27 Civil Statutes), except as otherwise expressly provided. Refunds

1 of contributions made under this section shall be paid to the
2 departing member, the member's spouse [~~beneficiary~~], or the
3 member's estate on written request and approval by the pension
4 board in a lump sum, except that if the pension board determines
5 that funds are insufficient to justify the lump-sum payment, the
6 payment shall be refunded on a monthly basis in amounts determined
7 by the pension board.

8 (g) If a deferred participant is reemployed by the city or
9 the pension system before receiving a deferred retirement pension
10 or if a retiree is reemployed by the city or the pension system,
11 Subsections (h) and (j) of this section apply to the computation of
12 the member's pension following the member's subsequent separation
13 from service if the member was a member on or after May 11, 2001, and
14 is not otherwise subject to Subsection (q) of this section.

15 (h) If a member described in Subsection (g) of this section
16 accrues not more than two years of continuous credited service
17 after reemployment:

18 (1) the portion of the member's deferred or normal
19 retirement pension attributable to the member's period of credited
20 service accrued before the date of the member's original or
21 previous separation from service is computed on the basis of the
22 applicable provisions of this Act or the predecessor system that
23 were in effect on the member's last day of credited service for the
24 original or previous period of credited service;

25 (2) the portion of the member's deferred or normal
26 retirement pension attributable to the member's period of credited
27 service accrued after the date of the member's reemployment by the

1 city or the pension system is computed on the basis of the
2 applicable provisions of this Act or the predecessor system in
3 effect on the member's last day of credited service for the
4 subsequent period of credited service; and

5 (3) the disability pension or survivor benefit
6 attributable to the member's period of credited service accrued
7 both before the date of the member's original or previous
8 separation from service and after the date of the member's
9 reemployment by the city or the pension system is computed on the
10 basis of the applicable provisions of this Act or the predecessor
11 system that were in effect on the member's last day of credited
12 service for the original or previous period of credited service.

13 (i) Subject to Subsection (l) of this section, the
14 disability pension or survivor benefit under Subsection (h)(3) of
15 this section is computed by adding the following amounts:

16 (1) the amount of the benefit derived from the member's
17 credited service accrued after the date of reemployment based on
18 the benefit accrual rate in effect on the member's last day of
19 original or previous credited service in the group in which the
20 member participated on the member's last day of subsequent credited
21 service; and

22 (2) the amount of the benefit the member, beneficiary,
23 or eligible survivor was eligible to receive based on the member's
24 original or previous credited service and the provisions in effect
25 on the member's last day of original or previous credited service.

26 (j) If a [the] member described by Subsection (g) of this
27 section accrues more than two years of continuous credited service

1 after reemployment, for purposes of future payment only, a deferred
2 retirement pension, normal retirement pension, disability pension,
3 or survivor benefit is computed on the basis of the applicable
4 provisions of this Act or the predecessor system in effect on the
5 member's last day of credited service for the subsequent service.

6 (k) Notwithstanding any other provision of this Act, if a
7 retiree is reemployed by the city or the pension system and becomes
8 a member, the retiree's pension under this Act ceases on the day
9 before the date the retiree is reemployed. Payment of the pension
10 shall be suspended during the period of reemployment and may not
11 begin until the month following the month in which the reemployed
12 retiree subsequently terminates employment. On subsequent
13 separation, benefits payable are computed under Subsections (h) and
14 (j) of this section, as applicable. If the reemployed retiree
15 receives any pension during the period of reemployment, the retiree
16 shall return all of the pension received during that period to the
17 pension system not later than the 30th day after the date of
18 receipt. If the reemployed retiree does not timely return all of
19 the pension, the pension board shall offset the amount not returned
20 against the payment of any future retirement pension, disability
21 pension, DROP balance, or survivor benefit payable on behalf of the
22 reemployed retiree, plus interest on the disallowed pension at the
23 applicable assumed rate of return, not compounded, from the date
24 the reemployed retiree received the disallowed pension to the date
25 of the offset on the disallowed pension.

26 (l) Except as provided by Section 14 of this Act, if [~~if~~] a
27 member is covered by Subsection (h) of this section and has made an

1 election or was eligible to make an election under Section 11 of
2 this Act or an optional annuity election under Section 29, Chapter
3 358, Acts of the 48th Legislature, Regular Session, 1943 (Article
4 6243g, Vernon's Texas Civil Statutes), or has received a pension
5 computed on the basis of an optional annuity election, the optional
6 annuity election, including any designation of an eligible
7 designated survivor, governs the payment of any pension or benefit
8 for the period of service covered by the optional annuity election,
9 and no other survivor benefit is payable for that period of service.
10 If a member meets the requirements of Subsection (j) of this section
11 and has made an optional annuity election or has received a pension
12 computed on the basis of an optional annuity election, the optional
13 annuity election, including any designation of an eligible
14 designated survivor, shall control the payment of any pension or
15 benefit, and no other survivor benefit is payable unless the member
16 elects, not later than the 90th day after the date of the separation
17 of employment and before payment of a pension, to revoke the
18 optional annuity election for future payment of benefits. If
19 revocation occurs, any survivor benefit is paid under Subsection
20 (j) of this section.

21 (g) Subsections (g) through (j) and Subsection (l) of this
22 section do not apply:

23 (1) for an employee or elected official hired,
24 rehired, or elected before January 1, 2005, to the period of service
25 occurring after January 1, 2005;

26 (2) to an employee or elected official hired, rehired,
27 or elected on or after January 1, 2005; or

1 (3) to a deferred retiree or retiree who is reemployed
2 in a pension system covered position before January 1, 2005, for a
3 period of two years or less of continuous credited service.

4 (r) If a deferred retiree or a retiree described by
5 Subsection (g)(3) of this section is reemployed in a pension system
6 covered position, the retiree's pension due on the retiree's
7 subsequent retirement shall be computed as follows:

8 (1) the portion of the retiree's pension attributable
9 to the retiree's periods of credited service that accrued before
10 the retiree's reemployment shall be calculated on the basis of the
11 schedule of benefits for retiring members that was in effect at the
12 time of the member's previous termination or terminations of
13 employment; and

14 (2) the portion of the member's pension attributable
15 to the member's period of credited service that accrued after the
16 member's reemployment shall be calculated on the basis of the
17 schedule of benefits for retiring members that is in effect at the
18 time of the member's subsequent retirement.

19 (s) The computation under Subsection (r) of this section may
20 not result in a lower pension benefit amount for the previous
21 service of the retiree than the pension benefit amount the retiree
22 was eligible to receive for the retiree's previous service before
23 the date of reemployment.

24 SECTION 3.23. Section 18(d), Chapter 88 (H.B. 1573), Acts
25 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
26 Vernon's Texas Civil Statutes), is amended to read as follows:

27 (d) The military service credited under Subsection (c) of

1 this section:

2 (1) may not exceed a total of 60 months; and

3 (2) may be claimed as service solely in the group in
4 which the member participates [~~A only if the member is a group A~~
5 ~~member or group C member~~] at the time the member claims the service
6 [~~and~~

7 [~~(3) may be claimed as service in group B only if the~~
8 ~~member is a group B member at the time the member claims the~~
9 ~~service~~].

10 SECTION 3.24. Notwithstanding Section 1(1-e), Chapter 88
11 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
12 (Article 6243h, Vernon's Texas Civil Statutes), as added by this
13 Act, the assumed rate of return for the fiscal year ending June 30,
14 2018, is seven percent per year for purposes of Chapter 88 (H.B.
15 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
16 6243h, Vernon's Texas Civil Statutes).

17 SECTION 3.25. Section 8(d), Chapter 88 (H.B. 1573), Acts of
18 the 77th Legislature, Regular Session, 2001 (Article 6243h,
19 Vernon's Texas Civil Statutes), is repealed.

20 SECTION 3.26. (a) The change in law made by this Act to
21 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,
22 Regular Session, 2001 (Article 6243h, Vernon's Texas Civil
23 Statutes), applies only to the appointment or election of a trustee
24 of the board of trustees of the pension system established under
25 that law that occurs on or after the effective date of this Act.

26 (b) A person who is serving as a trustee immediately before
27 the effective date of this Act may continue to serve for the

1 remainder of the trustee's term, and that trustee's qualifications
2 for serving as a trustee for that term are governed by the law in
3 effect immediately before the effective date of this Act.

4 (c) As soon as practicable after the effective date of this
5 Act:

6 (1) the governing body of the city under Chapter 88
7 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
8 (Article 6243h, Vernon's Texas Civil Statutes), shall appoint two
9 additional members to the board of trustees in accordance with
10 Section 2(c)(6), Chapter 88 (H.B. 1573), Acts of the 77th
11 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
12 Civil Statutes), as added by this Act; and

13 (2) the board of trustees of the pension system
14 established under Chapter 88 (H.B. 1573), Acts of the 77th
15 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
16 Civil Statutes), shall adopt rules necessary to ensure the
17 appropriate staggering of trustee terms.

18 SECTION 3.27. The pension system established under Chapter
19 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
20 (Article 6243h, Vernon's Texas Civil Statutes), shall require the
21 pension system actuary to prepare the first actuarial experience
22 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the
23 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
24 Texas Civil Statutes), as added by this Act, not later than
25 September 30, 2021.

1 ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM

2 SUBJECT TO ACT

3 SECTION 4.01. Chapter 107, Local Government Code, is
4 amended by adding Section 107.0036 to read as follows:

5 Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION
6 FUND OBLIGATIONS. (a) This section applies only to a public
7 pension fund subject to:

8 (1) Article 6243e.2(1), Revised Statutes;

9 (2) Chapter 88 (H.B. 1573), Acts of the 77th
10 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
11 Civil Statutes); and

12 (3) Article 6243g-4, Revised Statutes.

13 (b) A municipality may issue an obligation under Section
14 107.003 to fund all or any part of the unfunded liability of a
15 public pension fund subject to this section only if the issuance is
16 approved by a majority of the qualified voters of the municipality
17 voting at an election held for that purpose.

18 SECTION 4.02. Section 107.0036, Local Government Code, as
19 added by this Act, applies only to obligations for which the
20 governing body of a municipality executes an agreement under
21 Section 107.003(b), Local Government Code, on or after the
22 effective date of this Act.

23 ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

24 SECTION 5.01. If this Act conflicts with any other Act of
25 the 85th Legislature, Regular Session, 2017, this Act controls
26 unless the conflict is expressly resolved by the legislature by
27 reference to this Act.

1 SECTION 5.02. This Act takes effect July 1, 2017, if it
2 receives a vote of two-thirds of all the members elected to each
3 house, as provided by Section 39, Article III, Texas Constitution.
4 If this Act does not receive the vote necessary for immediate
5 effect, this Act takes effect September 1, 2017.